SEPTEMBER, 1942

## BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION



THE NATIONAL CONFERENCE ON

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JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

**PRESENTS** 

## THE CONVENTION IN PRINT

n presenting this wartime program we do so with a deep sense of the solemnity of the moment with thanks to the distinguished men who are taking part . with hope that all

may read with enjoyment and benefit and with regret that we must forego the opportunity for friendly greeting and firm handclasps, until we meet again.—Harold Stonier, Executive Manager.

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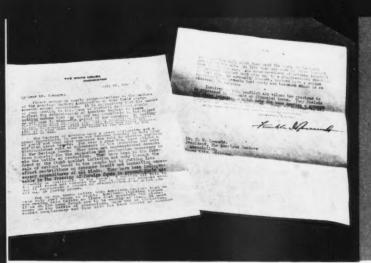
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## "...A RECORD OF ACCOMPLISHMENT.

### THE WHITE HOUSE WASHINGTON

July 28, 1942

My dear Mr. Koeneke:

Please extend my hearty congratulations to the members of the American Bankers Association on this their annual convention. It is appropriate that the manner of your meeting in this year of historic decision should reflect the determination of American bankers to leave nothing undone that can in any way contribute to the object we all have in view—the defeat of our enemies. By holding this 'convention in print' instead of assembling together as you have done for more than half a century, you are helping to conserve vital transportation and other facilities at a time when they are taxed to the utmost by the demands of war.

The bankers of America have a great obligation and a great opportunity to serve our beloved Country in this hour of peril and they have answered the call to service joyfully and with stout hearts. For over a year they have played a distinguished role as volunteers in the promotion and sale of War Savings Bonds. They have met unprecedented demands from industry for the expansion and conversion necessary to win the battle of production. They have been in the forefront of the fight against inflation not only through the sale of savings bonds to the people but by putting into effect restrictions on consumer credit and combatting unnecessary expenditures of all kinds. They have been indispensable in the freezing of foreign funds to prevent their use directly or indirectly by the enemy. I mention all this in the past tense not because the job is done but because even now it represents a record of accomplishment of which you all may be justly proud.

But no one knows better than American bankers that we have only just begun to fight. American fighting forces are moving into battle on lines that encircle the globe. If we on the home front are to be worthy of them, we must carry on the battle of production, wage war on inflation, combat complacency and fear with the same spirit of courage and sacrifice with which they meet the enemy on land and sea and in the air. We like they can have no other thought than to win the war. All considerations of private interest or personal comfort must give way to a single-minded devotion to that aim. As community leaders, bankers have a unique opportunity to promote that unity and teamwork which is so necessary to success.

Involved in this conflict are values too precious to be expressed in economic or financial terms. They include all those intangibles which make the name America a synonym for freedom throughout the world. Faith in freedom, in the honor and integrity of the common man, is what sustains us as a Nation. United in this faith we are invincible.

With best wishes, and again congratulations,

Sincerely yours,

Frenkla Separent

## 

e Secretary of the Treasury HENRY MORGENTHAU, JR.



E HAVE come through a year of stress and strain since I last had the privilege of addressing the American Bankers Association on the subject of our financial and economic problems.

When I spoke to you in Chicago last October, coming events were already casting their shadow. At that time, and in the light of our financial experiences in the former World War, I reviewed the perils of inflation facing us, and I asked you to constitute yourselves sentinels of the nation, in your own banks and your own communities, to guard against any private encroachment upon the resources of materials or of credit needed for the na-

tional effort.

If this were not a moment of such deadly seriousness for our nation and for all free men, I might be tempted to think that we had not done too badly in our war financing in the year that has past. By "we" I mean, of course, the American people, but also, in a special sense, the Treasury, the Federal Reserve System and the bankers, working together in a new partnership which we have entered into for the duration of the war-indeed, I hope for a much longer time, for our partnership must look beyond victory to the peace we shall have to win together.

In the fiscal year that ended June 30, \$36 billion poured into the Treasury in tax revenues and in all forms of borrowing. There is no parallel in our history for this money-raising achievement, nor has the Government ever been able to draw upon such a wide variety of funds. We have not only raised \$13 billion from taxes, but we have also borrowed a net amount of \$3 billion through the sale of Tax Anticipation Notes. We have not only resorted to the conventional forms of borrowing from the banks and regular investors, but we have also enlisted additional institutional funds by issuing new types of securities, and we have sold War Savings Bonds to some 20 million Americans to a total of \$6 billion in the fiscal year just ended.

Without wishing to seem complacent-for complacency is as dangerous as a dozen of the enemy's mechanized divisions-I think it only right to call attention to these unprecedented borrowings, so smoothly carried out that the country as a whole has hardly become aware of their magnitude. We are surrounded at this moment by economic as well as military dangers, yet it is cause for some satisfaction that inflation has been more effectively controlled to date in this war, in the face of a

production and expenditure program of immensely greater dimensions, than in the corresponding stage of our participation in the World War of 25 years ago.

I have just seen an estimate by the Department of Commerce showing that the people's savings in the first two quarters of 1942 were more than twice as great as in 1941, due partly to price ceilings, credit restrictions and to the growing shortages of many kinds of consumers goods, but also in very large measure to the people's awareness of the need for saving. The estimate shows individual savings at an annual rate of almost \$25 billion in the second quarter of this year, as compared with an annual rate of approximately \$10 billion for the same period last year.

These results would not have been possible without the voluntary cooperation of millions of Americans representing every state and section, every occupation,

every national background, race and creed.

In this voluntary program the bankers of America have stood in the forefront. They have given the equivalent of 25,000 full-time employees to the sale and promotion of War Bonds, and 85 per cent of the sales made have been through the banks. They have been fighting in the front lines of our battle on the home front by carrying out the restrictions of Regulation W on consumer credit, by keeping a careful watch on all applications for non-essential loans, and by helping to freeze foreign funds which the enemy might have used to spy upon our war effort, to sabotage our production, or to demoralize our people. They have given their time and energy to this effort without thought of any compensation except the knowledge that they were helping their country in its time of greatest need.

I have said before on repeated occasions that we at the Treasury are deeply grateful to the Federal Reserve System and to every individual banker who has helped the program of war financing, and I should like to express my thanks once more for a splendid exhibition of

cooperation and patriotism.

Yet we cannot afford to congratulate ourselves at this critical stage of the war. Whatever was accomplished in the past fiscal year is of little relevance when we remember the size of the financial as well as the military job ahead of us.

It would be carrying coals to Newcastle to explain to the bankers of America the magnitude of the financial problem confronting our Government this year in meeting the many and urgent demands of the war. You know that we shall have to borrow more than \$50 billion in one way or another in the present fiscal year, even if Congress enacts a tax bill to yield \$8.7 billion of additional revenue, as we at the Treasury have urged. Without any elaboration from me you can appreciate what the borrowing of \$50 billion will entail.

The problem itself involves more than simply raising the money to pay the bills. To begin with, we have to manage our fiscal affairs so that the financial burden is distributed equitably. In achieving this, we must avoid any maneuver that threatens to hinder the maximum

efficiency of our war production.

Above all, we must find the means to devote more than half of our national income this year solely to war purposes, yet without slackening the determination of the American people to win this war and win it outright. Our taxes and our borrowings must not handcuff the hands already willing to work for victory.

You would, I suppose, like me to give you some guidance as to the methods by which the Treasury proposes to raise these truly colossal sums. I wish that I could give you that guidance, but frankly, none of us can see more than a few months ahead through the murk of this most unpredictable of all wars. Besides, the decision in all cases does not rest with the Treasury alone.

I would not venture to guess, for example, what the new tax bill will yield, although I know that the American people are ready for a courageous tax program. In fact, they are ready to bear even greater burdens than the Treasury's minimum proposals of \$8.7 billion in new revenue would impose upon them. I would not hazard a guess as to the future of rationing, although I feel deeply that we shall have to extend the scope and the severity of rationing before this fiscal year has ended.

I can, however, offer what I may call broad hints, based upon the principles which we have so far followed in our wartime financing and upon the dimensions of the task in which we are now engaged.

You may take it for granted that we shall continue to seek funds both from current and accumulated savings. In the field of taxes, we shall follow the enactment of a new revenue bill with renewed efforts to make the collection of taxes more effective. To this end we must intensify the sale of Tax Anticipation Notes, which afford millions of taxpayers the easiest possible method of saving in advance for the taxes that will be due next Spring.

In borrowing from the people directly, we intend to make every effort to reach and surpass our announced goal of \$12 billion from the sale of War Bonds and Stamps in the fiscal year that ends June 30, 1943.

As I write these lines, the sales figures for July, amounting to more than \$900 million in a month, give us real ground for encouragement. So also does the fact that the sales of Series E bonds in the smaller denominations have shown a striking increase in recent months. Most encouraging of all is the increase in the number of workers purchasing War Savings Bonds through payroll deductions.

There are now more than 110 thousand firms, employing over 25 million workers, that have a payroll savings

plan in operation. In the month of July alone more than 18 million workers subscribed \$200 million out of their pay for War Bond purchases, and payroll deductions are increasing about \$40 million per month.

We confidently expect that by the end of 1942 well over 20 million employees will be regularly investing at a rate approaching 10 per cent of their gross earnings through payroll savings. This will mean that from \$350 million to \$400 million a month would be deducted voluntarily from payrolls next year to buy War Bonds. During 1943, on this basis, nearly \$5 billion worth of War Bonds would be purchased in this way—all out of current wages and salaries, and all representing what we can regard as non-inflationary borrowing at its best.

Even if the War Bond sales realize all my expectations, we shall have to borrow increasingly and in utterly unprecedented amounts from other sources.

The members of the American Bankers Association are acutely aware of the hazards we run if we rely more than is necessary on the sale of government securities to commercial banks. I often think, however, that the distinction between sales of government securities to commercial banks and sales to others is over-emphasized. What we are really trying to do is to sell as large a proportion of our securities as possible in such a way that their proceeds, when spent by the Government, will not constitute a net addition to the total spending of the economy.

I think it worth remembering that sales of government securities to commercial banks do not add to the total spending of the economy if they are offset by decreases in the loans or other investments in banks, or if they are offset by the accumulation of balances in the banks which are genuine savings of depositors.

It is necessary, therefore, that we at the Treasury should go far deeper than the superficial distinction between sales of government securities to banks and those to others and that we should look closely at the real sources of the funds. The most desirable source of funds is, of course, money borrowed from the current savings of the country. A substantial proportion of the proceeds of all classes of government securities sold—including some of those sold to commercial banks—comes directly or indirectly from this source.

Yet inflation cannot be curbed merely by the passage of a courageous tax bill or by the successful borrowing of vast sums from current savings, or by a combination of bold and intelligent taxing and borrowing. We undoubtedly shall find it necessary to adopt more drastic control of consumer spending, in one form or another, than anything yet applied. I should not like to predict at this stage, for prediction is more than ever dangerous, but I do want you to be prepared for new controls and new sacrifices as the war moves into a new and more intense phase.

We have heard so much talk lately about the function of finance in winning this war and in checking inflation that I should like to clear the air on one point. Financial policies do not of themselves win wars. Wars are decided by battles. But the necessity for winning battles does not diminish the importance of raising the money to

(CONTINUED ON PAGE 155)

## A YEARFUL AHEAD

President of the American Bankers Association and President of the Security Bank of Ponca City, Ponca City, Oklahoma.—HENRY W. KOENEKE

THE events of the past year have been the most dramatic and far reaching in the history of the American Bankers Association. When this administration of your Association began 11 months ago, we were still a nation at peace, though we lived in a world at war. The nation was hastily arming to defend itself should defense become necessary. The shadow of war hung over the deliberations of our last general meeting, the convention in Chicago, September 28 to October 2. A review of those deliberations would indicate that in our hearts we knew that our turn might come at any moment. In many ways, unofficially and by resolution, we expressed our determination to meet whatever trials should come to us and to deal with them effectively. As the closing expression of that convention we said by resolution:

"We are everlastingly grateful for the privilege of living in a democracy which holds fast to the principles of liberty and justice for all. We have unbounded faith in the resources and capacity of this country for meeting to the fullest its obligations in this trying hour. We have enduring confidence in the ability of the American people to preserve at any cost the rights and privileges which they enjoy in this free republic. We pledge our full support to effective policies and programs of government to defend and preserve democracy and democratic institutions."

And in the address in which I acknowledged my election to the presidency of your Association, I added:

"These are emergency hours. The Government must depend on its citizens and on their respective organizations during such times to render patriotic service wherever needed. . . . Therefore, in our plans for the year ahead, we have this fundamental reservation—everything may be changed to enable us to do our part in the nation's defense program. The welfare of the country transcends all else. No sacrifice of time, effort, or money is too great whenever the nation's interests are imperiled. Uncle Sam can depend upon us now as in the past, for this organization is still the *American* Bankers Association."

Two months later the sword fell upon us. We are now at war in all the corners of the earth.

Ordinarily it might be expected that in a message like

President Koeneke has called a meeting of the Executive Council of the Association in New York City September 29–30 to "consider the business of the Association and give direction to its policies."



this one the events of the Association's year would be set forth in detail, showing how far its program was stepped up to a win-the-war pace. But there is no point in doing that herein since those dramatic events are chronicled and pictured elsewhere in this convention in Banking. I should like, however, to say that the American Bankers Association and the banks themselves have amply fulfilled the promises made in the words quoted. Indeed, they were already performing outstanding service to the preparatory war needs of the nation when these things were said. When the blow fell we were already deeply engaged in the process of helping the nation to arm itself. And because we were so engaged, it can be truly said that at no time in their long history

has either the American/Bankers Association or the American banking system been so well prepared for the crisis of war when it came.

We can look back with pride upon the manner in which the banks have risen to every occasion. They have performed with marked success every assignment given to them. They have anticipated the needs of

the nation at every step, they have initiated necessary wartime banking service, they have been ready ahead of time to render whatever assistance has been needed. They represent the change-over from peace service to war service. They also represent the banks at their best—alert, flexible, able to anticipate, and ready to meet everything required in their area of activity. And they represent, too, the effectiveness of the leadership provided by the American Bankers Association and the state bankers associations. This service began not after Pearl Harbor, but in 1940, as soon as the national defense program was initiated—when the nature of the German menace was fully revealed by the attack on Belgium and Holland, the defeat of France and the rescue at Dunkirk.

The list is impressive. It includes the identification and freezing of the funds of enemy aliens, the organization and promotion of lending for the execution of war goods orders and the expansion of manufacturing facilities, financing of war housing, handling of payrolls of war production plants, assistance to government programs for delivery of next Winter's coal supply, important assistance to the Government in developing

control of consumer credit as an anti-inflation measure, the sale of War Savings Bonds (the success of which has been due almost entirely to the service of banks, which have sold 85 per cent of all the bonds purchased), and, of course, the continued purchase of government bonds for their own account. And above all other things, the banking fraternity has contributed its full share of men to the armed forces. There are other services in the offing which banks may be asked to render as the war goes on and which they will do just as well as the record shows they have performed these.

This is a time when patriotic citizens do not stop to count the cost of service to their country. Its preservation is their first consideration. The banks will make many other contributions to war efforts. While these contributions will consist of extra duties yet unseen, they will also consist of the omission of things they have been accustomed to doing and substitution of other activities for them. That applies to the entire business community, to all of the population, as we are learning through the effect of priorities on business, through shortages of all kinds, through the cessation of automobile and other manufacturing, and through the rationing of tires, gasoline and sugar, and, as we shall



learn, through the rationing to come of other things, including, possibly, the rationing of transportation. In common with other business and social organizations we have already felt the restrictions of war in many ways. One of them, for instance, is the inability to hold the customary conventions, important as such gatherings are, an omission made necessary in order that adequate transportation be available for the movement of troops and military supplies, an

omission asked by the wartime transportation authorities themselves.

To many of us such experiences are not entirely new. During the last war we experienced a sugar control, and business experienced both priorities and price controls. And during the bitter Winter of 1917–18 the people in the North suffered heatless Mondays with fires either banked or out. Although motor cars were not in universal use, the production of automobile tires was drastically reduced as to number of styles and sizes. The same thing was true of agricultural implements and machinery. The variety and style of clothing was likewise curtailed and the quality deteriorated. A brief but sharp picture of some of this was given by Bernard M. Baruch, chairman of the War Industries Board in the last war. He wrote:

"We had instituted a deferment of every type of building construction except that indispensable to the prosecution of the war. We had gasless, meatless, sugarless, fuelless days, and, in ways and methods too numerous to mention, we were greatly increasing the supply for essential uses by cutting off supply for non-essentials. . . . Had the war gone on another year, our whole civil population would have gradually emerged in cheap but

serviceable uniform. Types of shoes were to be reduced to two or three. The manufacture of pleasure automobiles was to cease. Flaps from pockets and unnecessary trim in clothing would have disappeared. Steel had already been taken out of women's corsets."

The deprivations experienced in the last war will undoubtedly be multiplied during this one. But we shall all accept them, make the best of them, as we did the last time, and substitute as we can. For instance, in our Association activity, service to our members may be expected to increase rather than decrease. With a growing transportation shortage and increased movements of troops and supplies, and the utilization of hotels for war workers and army personnel, it is obvious that large meetings of convention proportions will be out of the question for the present. So we shall have to substitute for such meetings gatherings of a smaller and different type, such as the clinic type of meeting devoted to a single or limited number of subjects. In lieu of our annual convention the membership will express itself in regard to the activities and policies of the Association through the Executive Council.

The problems and situations which will arise to confront banks during the war will probably be more difficult and acute than those arising in peacetime and will therefore call for closer association between the A.B.A. and its members, and require even more active service on the part of the Association. Because of this, Association activity may be expected to increase. And in developing new avenues of service, perhaps we shall even improve on what has been done in the past.

The months ahead will call for resourcefulness. There will be problems growing out of the wartime fiscal operations of the government, the drying up of the civilian economy, rising taxes and the continued low interest rates, the loss of manpower and other things. However, they are not problems that will be insoluble to resourceful men. Already many resourceful bankers are meeting some of these difficulties by ingenious methods and practices, operating within the framework of good banking yet adapting their operations to new conditions.

That is what all of us must do. War is an intolerant taskmaster. It requires that private institutions serve its needs as effectively as they serve the needs of the peacetime way of life. Otherwise it may not tolerate them. Therefore we have a dual obligation as private institutions. It is to see that these institutions serve as effectively as a wartime mechanism as they do as a a peacetime mechanism. As they help to win the war and to serve the war needs of the people will they assure their continued place in society.

The times also call for united effort and for leadership of that effort. To provide these is the function of the bankers associations. It is, therefore, quite essential that the bankers associations, which provide these functions, have the continued wholehearted cooperation and support of the bankers generally. In this respect the American Bankers Association is thoroughly equipped to serve you. In the critical months ahead it will carry on in your behalf more intensively than ever.

## FAITH LIVES IN AMERICA

The Bishop of the Methodist Church in the Portland, Oregon, area = BRUCE R. BAXTER





OGETHER we recognize not only the seriousness of the times but their crucial and critical nature. Abraham Lincoln in 1862, when this nation was in an all out war, said, "We shall nobly save or meanly lose the last best hope of earth." All that is at stake

today. We cannot conceive of normal business with any degree of free enterprise or the exercise of religious freedom in an Axis dominated world.

It is a truism to speak of the banker as having the confidence of the people in an unusual fashion and leading in every good community enterprise. Men look to him for both ability and responsibility. We take all this for granted just as did the youngster who wrote his essay proving that the moon was more important than the sun, because the moon shines at night when we really need the light, while the sun shines in the daytime when we have all the light we need.

The banker can reestablish the value of character—his business is built upon it; credit rests down upon it; and loans and all other financial obligations largely depend upon it. If he is not able properly to appraise character in others he will probably fail. We, therefore, have a right to expect integrity of character in him because not only the fortunes but the well-being of so many people are tied up with him. "No man has any more character than he can command in a crisis." If it be true that a man's character is the sum total of all that he has overcome, surely now is the time to get it. We dare not substitute legality for integrity.

I think there are few sudden crack-ups of character. We have been hearing a great deal from the Dust Bowl areas concerning soil erosion, but a far more serious situation is soul erosion. It is soul erosion that precedes character breakdown.

It is character which helps to maintain the democratic way. People who think far more of the rights of a democracy than of its duties must be taught the meaning of and the obligation to those duties. I am disturbed over a high school senior class which was asked to define democracy. In written answers practically every person spoke of the rights and few spoke of the duties.

Democracies cannot grow in thin soil. Whenever the character of the people has been leached out, the soil becomes too thin to produce the democratic ideal.

In the second place, the banker can show the rest of us

how to be "able to take it." He surely has had superb training for this through a bank holiday and through a depression which the country school lad said would not have been nearly so bad if it had not come at a time when so many people were broke.

Robert Louis Stevenson was dogged with a dread disease from the day of his birth to the day of his death. Again and again because of physical weakness the way was blocked. As he lay dying in his South Sea Island home, knowing how often his desires had been thwarted and his plans frustrated by illness, he whispered these last words, "I am bigger than anything that can happen to me." What a triumph by a man who could take it!

In the third place, the banker should show how it is possible in critical times for people to live together properly. His home and his family are usually the pride of the community. In his personal and in his business relations he should demonstrate how people ought to be able to live together.

In the Book of Ezekiel is this sentence, "I sat where they sat." This means that we must put ourselves in the place of the other person. The Sioux Indians had a place in their initiation of the young braves where the boy promised the Great Spirit never to judge a man "until after I have walked for two weeks in his moccasins."

The final contribution which the banker can make in a day like this is to maintain his faith in the dominance of spiritual values and in the ultimate triumph of the good. This will come as he learns to distinguish between the main current and the eddy: between that which is eternal and that which is merely temporal.

Someone recently said, "Unless there be in us that which was above us, we shall be overwhelmed by that which is around us." That necessity I take to be faith in the Eternal. We need the technique of science and the motivation of religion. In England they are telling with glee of the prayer of the little girl who, in the midst of a succession of nights of terror by bombing, prayed, asking God to take care of members of her family and then concluded, "And now God, please take care of yourself, for if anything happens to you, we are all sunk." She was right.

Recently a man began a public prayer in this fashion, "O God, who art seated on the rim of the universe." I cannot visualize that. I cannot understand a God like that. He is not seated anywhere. He is not a spectator. He is a participant in the problems and the difficulties and the ultimate triumphs of men. The Eternal is never defeated.



## VICTORY FIRST

Soldier, war correspondent, author, speaker and traveler, former editor of the Army and Navy Journal, who has spent 12 years in Europe, most of them since 1914—Brigadier General HENRY J. REILLY

of millions of men and their stupendous amount of raw materials and machinery to handle it, and compare these with the much smaller number of men, rather limited raw material, and much smaller machinery for production, of their enemies. Thus satisfied, they talk of how they are going to arrange the world after victory has inevitably come from their crushing superiority in potential power.

THE kind of a world which is to be set up by the United Nations after they have won the victory is of course of the greatest importance.

However, at the present time it is of much greater importance to know what we must do to win total victory or, failing that, what kind of a victory we may have to accept.

In the war of 1914–18 the Allied nations did not win a total victory. While it is true that Germany asked for an armistice and later signed the peace treaty of Versailles, she was not decisively beaten.

The Allies were not completely victorious because they did not occupy the enemy territory with their armed forces and dictate terms of peace from the enemies' capital, as did the Germans in 1871–72 when their armies occupied most of France and they dictated peace to the French from the Palace of Versailles.

In the years which intervened from the signing of the treaty of peace with Germany until the outbreak of the present war in September 1939, it was evident to those of us who spent a great deal of time in Europe that the peace structure of that continent had been built upon a false premise. That false premise was that the Allies were completely victorious and could dictate at will with respect to what went on in the Continental European international political world.

The Allied statesmen had decided not to attempt to march their armies to Berlin because they were not sure they had enough military force to get there. Despite this recognition of the fact that only sufficient force can insure a policy being carried out, from the Versailles peace treaty with Germany up to and including today, Britain, France and the United States have failed to provide the military forces necessary to insure that their policies are carried out.

Any estimate of the military situation as it exists today, based on military facts such as those accepted by the general staffs and admiralties of the world, will show this. It is true that the United Nations have the potential manpower and resources of all kinds to produce the armed forces necessary to bring complete victory. However, they have not yet translated sufficient of these resources into armed forces strong enough to decisively defeat the armed forces of the Axis.

What is worse, in too many cases, they have carried over from the period of peace the belief that an overwhelming weight of potential resources is alone sufficient to bring victory. They add up their available hundreds

Our enemies, on the other hand, add up the number of armed forces which they are able to put in battle at any moment and compare this with the considerably smaller numbers the United Nations have available to oppose them. The result is that up to the present the Axis does not fear decisive defeat.

In other words, the Axis nations thoroughly realize what too many of the people of the United Nations do not understand—that the combat strength available for battle today and not potential strength which may be available some months from today, is the factor which determines the victor in today's battles.

In such an examination the first thing evident is that the United States is fighting on two main fronts. This because she faces West to fight the Japanese on a Pacific and Asiatic front, while at the same time she faces East to fight the other Axis partners on an Atlantic, European and North African front.

This bad strategical position inevitably brings up and keeps present in all discussions the question as to how our forces are going to be divided between these two fronts. If we keep the forces on the Japanese front at a minimum considered necessary for defensive purposes, in order to concentrate the maximum force on the European front, we are necessarily strictly on the defensive on the Pacific front. We thus allow Japan the freedom to take the offensive when and where she pleases.

On the other hand, if, in order to avoid this situation, we greatly strengthen our Pacific front, we must take the armed forces necessary from those now convoying essential military supplies to the Russians and North Africa and stop sending troops and supplies to Britain or to Africa, or both.

Such a course very possibly might lead to the defeat of Russia and to the loss of Egypt.

It certainly would mean that there would not be now, or for some time in the future, the slightest chance to open a second front in Europe, nor would the means exist to create a sufficient diversion to draw German troops and air forces away from the Russian front.

It is easily evident that the necessity exists to do something to pull some of the German armed forces away from the Russian front.

This can only be done by landing a sufficiently strong armed force somewhere on the Continent of Europe. This to insure that the Germans are confronted with the choice of one of the two disagreeable alternatives. The first is that they take no armed forces from the Russian front thereby allowing Britain and the United States to

## ". . . Infantry, artillery, all the auxiliary branches and services, tanks and all other forms of mechanized forces, and aviation, all in close and constant support of each other. . ."

gradually land more and more troops on the Continent. The other is to take from the Russian front forces sufficiently strong to attempt to drive the Americans and British out.

Well, why not immediately set up a second front? The answer is exactly the same as why did not the French, British and Belgians mount an offensive against Germany when she was suppressing Poland? Why did not they establish the second front when Yugoslavia, Greece and Crete were being attacked? Why was not Hong Kong held? Why did Singapore fall? Why are the Philippines now in Japanese hands? Why have the Dutch lost the Dutch East Indies and the immense revenue which came from them—probably the main financial stay of Holland? Why are the Japanese now in possession of Burma and preparing it as a springboard from which to attack India?

Why have 400,000,000 Chinese been unable to defeat 70,000,000 Japanese? Why were the Chinese unable to keep enough of the Japanese army and air service busy to prevent them throwing the British, Dutch and ourselves out of our Asiatic possessions? Why are the Chinese today unable to prevent the Japanese from concentrating the armed forces necessary to invade either Siberia or India? The answer—lack of troops.

When General Wavell was ordered to send an expedition to Greece and Yugoslavia, a move absolutely correct from a strategical point of view, he objected on the grounds of not having sufficient troops. Events proved him correct. Not only did the Germans overrun Yugoslavia, Greece and Crete, but also, with the help

of the Italians, Libya. This because Wavell had largely stripped Libya in order to send troops elsewhere.

Then, when Libya was lost to the Germans and Italians a second time, why was Rommel able to recapture it and advance well into Egypt? The answer is always the same. In order to strengthen Singapore, troops were taken from Egypt, not enough to hold Singapore, but enough to weaken Egypt. Then the Australians, naturally, were greatly alarmed at the sudden appearance of the Japanese in all the Dutch islands to their north. Also the Australian army was weakened by the loss of the troops surrendered at Singapore. The Australians, therefore, called back from Egypt the greater part of the Australian troops stationed there, in order to meet the Japanese menace getting closer and closer.

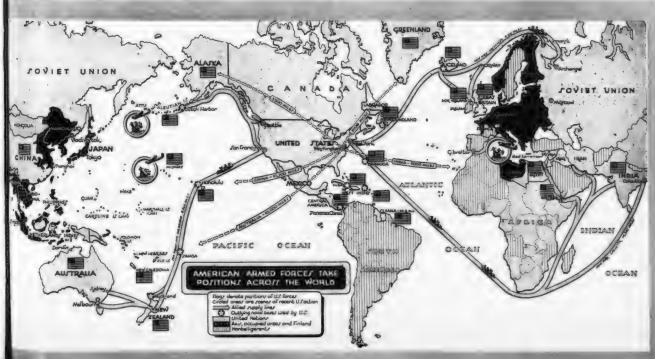
The British Empire has raised approximately 80 firstclass combat divisions, the United States approximately 40, with more being organized every month.

The Germans have raised 300 divisions, the Japanese at least 120. In addition, the Germans have 115 Italian divisions and 40 to 50 Finnish, Slovak, Hungarian and Rumanian.

We do not know the exact number of the Russian divisions, but it is obvious that whatever it is it is not enough to beat the Germans without considerable help. We do not know the exact number of the Chinese divisions but the probabilities are there are not more than 60. We do know that each is about half of the usual strength of 15,000 to 18,000 men per division.

We do know that the Chinese army has been utterly unable to prevent the Japanese army from striking

COURTESY NEW YORK TIME



when and where it pleased against ourselves, the British and the Dutch, and now against either the Russians or the British in India as they see fit.

In other words, it is apparent that far from the Russians and Chinese being able to help us and the British against the Germans and the Japanese, they badly

need our help against these two powers.

It must be evident to the most casual observer that the great lesson of the war to date, from Poland through Norway, Holland, Belgium and France, Yugoslavia, Greece, Crete, the first Libyan defeat, Hong Kong, the Malay Peninsula and Singapore, Manila, Bataan, Corregidor, the Dutch East Indies and the second Libyan defeat which brought the fall of Tobruk and the Axis advance well into Egypt, is that lack of troops has been the cause of defeat.

By troops is not simply meant infantry and artillery, but a complete military force from the German and Japanese point of view. That is, infantry, artillery, all the auxiliary branches and services, tanks and all other forms of mechanized forces and aviation, all in close and constant support of each other. This in contradistinction to the only too prevalent idea amongst the United Nations that troops mean only ground troops and that aviation is something separate and distinct.

This idea of aviation being something separate and distinct has been developed to the point where many believe that aviation alone is able to win victory. As the clamor for the establishment of a second front steadily increases in volume, more and more the American public is being urged to adopt this viewpoint.

The first great use of aviation was the bombardment of the British Isles by the Germans with aviation alone. Though continued over a long period of time and doing great damage, it in no way weakened the will of the British to fight and therefore did not produce a

decision for the Germans.

Both the British and Germans reached the same conclusion, i.e.: that this bombing belonged in the same category as the artillery preparatory fire which precedes the infantry and tank assault. In other words, that only by following it up with an invasion of England by ground troops could the Germans have won victory.

How did the German aviation obtain the splendid series of air bases from Norway through Denmark, Holland, Belgium and the Breton Peninsula of France, a position similar to the rim of a wheel the center of which is in Britain. The result of having this position is that the Germans, flying to the attack, fly down the spokes of a wheel to a concentration at the center. When their attack is over, they fly out along the spokes of the wheel towards the rim, thus getting more and more separated from each other as they return home, and therefore more difficult to follow and attack.

Dto the German aviation go out alone and through bombing capture these positions? It did not. It went out with the German ground troops and, in the case of Norway, also with the German Navy, took these positions away from Germany's enemies primarily because of their much greater superiority in numbers of troops of all kinds, including aviation, and their use as a unit.

Why does British aviation today, in its attacks on the continent, have to fly out from the center of this wheel along its spokes and to distances far greater than the distances flown by the Germans attacking Britain?

The answer is simply that the bases which the British aviation had on the Continent of Europe were lost when the French, the British Expeditionary Force, Belgian and Dutch ground troops and aviation were not strong enough to hold them in May and June 1940.

Why has not the Island of Malta surrendered? It has been almost continuously bombed since the beginning of the war, not only by the Italians but also by the Germans.

In supplying the Italian and German troops in Libya and Egypt, it would be of the greatest advantage to have Malta in German or Italian hands. Malta is of great help to the British fleet when it escorts British troop and supply convoys from one end of the Mediterranean to the other. There can be no doubt that the Italians and Germans have made every effort to force its surrender by air bombardment.

Throughout the war in Europe, in Asia and the Pacific, where land forces are concerned, the evidence is cumulative that bombing alone cannot bring victory.

The British who started with an independent air force have, as a result of their experiences in the war, given back to their navy its air force which they took away when they established the R.A.F. They have gone a step further. They have permitted their artillery to establish a reconnaissance and "firing" force of small planes manned by artillerymen and under artillery command.

The German air force is not independent in the way in which the R.A.F. has been. Whatever air forces are necessary to carry out any mission are under the command of the general officer who has been given the mission. Incidentally, General Von Keitel commands all the military forces of Germany—land, sea and air.

The Japanese have no independent air force. The Japanese army has its own air force and its navy its own air force, as is true in the United States.

In battle, the Japanese use the same principle as the Germans—constant, unremitting air support to the troops on the ground or the ships on the surface of the sea—with all forces under the command of one man.

The Germans and Japanese, who have shown again and again that they do not believe economic pressure or independent air activity, but only hard fighting in battle, can bring victory, have won many victories.

Our side, which has emphasized from the beginning its belief in economic strangulation—and more and more is being urged to commit itself to aviation bombardment—as a means to victory, has a long series of defeats to its discredit.

How can there be any other conclusion than that in continuing to advocate economic pressure and aviation bombardment alone as a means of winning the war, we are inviting defeat?

How can there be any question that to win victory we must raise large armies, as well as large aviation forces, and use the two of them together in combat, always under the command of a single officer?

## SMALLER WAR PLANTS

Chief, Bureau of Finance, War Production Board — BRADLEY D, NASH

The Smaller War Plants Corporation had its origin when two necessities became evident in the early days of the war production effort. By mid-1940 the National Defense Council recognized among its other important duties that there were two factors which not only could not be neglected but actually constituted a vital part of the nation's mobilized strength. The first was the wide-scale utilization of the average medium and small-size industrial concern for producing ordnance and allied items for the war program, then modestly called the defense program. There are 184,000 manufacturing concerns in the United States, of which only a handful were at first considered adaptable for this production, and the marshaling of the other thousands of concerns, large and small, had to be undertaken.

The second important problem involved the means of financing the conversion of plants and equipment so that they could perform their new duties; also the supplying of working capital to carry vastly expanded inventories and payrolls swollen by two and three shifts of workers. This problem was complicated by the fact that a greatly enlarged war program would bring in many concerns with marginal or submarginal credit, and concerns which had not fared any too well since the depression of the early Thirties, or which represented industries which were overcrowded and whose working capital and reserves had been depleted during the past decade.

ALL through 1941 various steps were taken to accomplish these two programs. Robert L. Mehornay, as chief of the Defense Contract Service of the OPM, laid the groundwork and pioneered the way for subcontracting, brought the distribution of orders from the services to an expanded number of prime contractors, developed and encouraged the establishment of subcontracting units in the offices of prime contractors, and developed relationships with the Federal Reserve banks and the RFC which were helpful in meeting the preliminary financial demands. In September 1941 the Division of Contract Distribution was organized under Floyd Odium. This largely expanded the activities of the Defense Contract Service and decentralized its activities through 120 field offices.

At the same time, the Financial Division established representatives in 35 cities and developed the principle of "financial doctoring," i.e., concerns called into war production with demands many times beyond their normal capacity and with inadequate financial and equipment resources were referred to these financial representatives in the various field offices for the purpose of having their fiscal houses put in order, monthly income and outgo budgeted, and their financial needs presented to government and private institutions for such assistance as could be rendered. These institutions

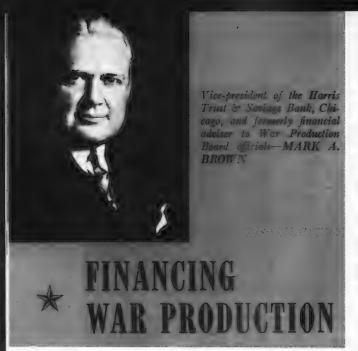


worked courageously to meet the pressing needs for funds, but many of the submarginal concerns certainly did not present the credit risk that would justify the risking of the bank depositor's money.

By the close of 1941, one year's experience showed that more aggressive and inclusive efforts must be adopted. The Joint Senate and House Small Business Committee had commenced studies and hearings on the subject. At this point, the Senate Small Business Committee, Senator Murray, chairman, retained Theodore Granik as its counsel. Mr. Granik had joined the writer at the American Bankers Association convention at Chicago in September 1941 in presenting to the bankers of America the opportunity of encouraging the formation of "pools" of manufacturing concerns whose complementary facilities would make it possible for them to undertake prime and subcontracts for war work, which individually such concerns could not have undertaken because of lack of well-rounded equipment.

One of the earliest pooling arrangements was the San Jose, California, group which had been organized with the assistance of the Bank of America. As counsel for the bank, Mr. Granik had taken an active part in encouraging the formation of this pool. His work in this direction gave a vital impulse to the organization of other pools throughout the country and served as most valuable background in drafting the legislation. The extension of this method of operation was urged upon the bankers not only as a contribution to the war effort, but as a practical means of protecting the earning power of their customers.

In the meantime, the War Production Board was created with Donald M. Nelson as its head. The Bureau of Finance of the War Production Board was called into consultation. There followed two months of most intense study and preparation of legislation to meet the problem of how to bring into production, physically and financially, thousands of medium and small-size industrial concerns needed to meet hugely enlarged production schedules. At the same time, it was recognized that unless these concerns were brought in, this immense program could never be completed within the time limit; also concerns not converted would be faced by a (CONTINUED ON PAGE 156)



UR 15,000 banks and 265,000 bank men and women are as fully enrolled in the United Nations' allout war effort as if each of them was garbed in Navy blue or Army khaki. The war of production must be financed and the tremendous resources of the banking system are being lent wholeheartedly to the undertaking. We can be proud of the part the banks have taken up to this time and, with the broader field of service now opened to them through Regulation V, I am confident that their record of service will be even more impressive.

On December 7, 1941, America suddenly became a nation with a single purpose—Win the War. Disunity and divided counsel were no longer in order. An economy that was geared for defense was overnight speeded up to a war basis and the bankers of the nation were

not caught napping.

As early as November 1940 bankers, recognizing the tremendous responsibility of financing the defense program, held meetings in Washington, resulting in the appointment of a National Defense Loans Committee of the American Bankers Association to include a representative from each Federal Reserve district. The function of the committee was to acquaint bankers throughout the country with the importance of complete cooperation with the defense program, as it was designated at that time. That the efforts of the committee were fruitful was evidenced by the fact that approximately 85 per cent of the working capital loans made for defense production were made by the commercial banks of the country.

Special Bulletin 82 entitled "Defense Loans" was prepared and distributed to all banks in December 1940 and became both a primer and a bible on the subject. The A.B.A. obtained a report on June 30, 1942 indicating that 423 banks in 162 cities had on that date over 2 billions of war loans outstanding and an additional 2 billions of commitments for future loans. This is over thrice the total of a year ago and shows not only the progressive conversion of our civilian economy to war

but demonstrates the large part our banks are taking in the program.

Several new lending aids and production-facilitating techniques have been developed since early 1940 which permitted the banks to make loans which would not have been possible before. Chronologically, they might be stated:

- 1. Assignment of Claims Act, October 9, 1940.
- Defense Plant Corporation organized August 22, 1940.
- Emergency Plant Facilities Contract approved October 18, 1940.
- Tax amortization provisions of Second Revenue Act of 1940.
- 5. Advance payments by the services.
- Executive Order 9112 of March 26, 1942, and the resultant Regulation V of the Federal Reserve Board dated April 6, 1942.

By this time all bankers are familiar with the protective features and operation of the Assignment of Claims Act. The act permitted for the first time the assignment of any claim due from the Government, or any department thereof, involving \$1,000 or more unless the contract expressly forbids such assignment. Thus, under the assignment, the assignee—the lending institution—receives direct from the Government all payments made as the contract is satisfactorily fulfilled. The contractor has been given an asset—assignment of claims—which can be offered the banker as security for a loan perhaps otherwise not obtainable.

In brief, a contractor negotiates an EPF contract with the Army or Navy to construct with his own funds a plant to which he will hold title until the Government fully reimburses him for it. The repayment is in the form of 60 equal monthly instalments starting upon completion of the plant. The contract is assignable so it can be assigned to a bank which may advance the needed funds during construction and be repaid during the ensuing five-year period. Such contracts have been obtained largely by the shipbuilding and aircraft industry and are not numerous today.

Many war contractors needing facilities prefer to have the Defense Plant Corporation (RFC wholly-owned subsidiary) build the plant, hold title to it and simply lease it to the contractor who becomes a tenant rather than an owner as he would under an EPF contract. The DPC has become the most important unit in the construction of emergency plant facilities and several months ago had total commitments of nearly \$5 billion.

Before discussing Regulation V it might be well to mention two highly important devices, tax amortization and advance payments, which have been helpful to contractors undertaking war orders and plant expansion. The Second Revenue Act of 1940 provides that upon issuance of a certificate of necessity, a corporation may amortize for income and excess profits tax purposes, the non-reimbursed cost of emergency facilities over a 60-month period. In other words, it may fully depreciate the facilities for tax purposes over a five-year period and in these days of high taxation this provision is most

important, particularly because amortization may be accelerated under certain conditions if the emergency terminates before five years.

To insure that contractors with inadequate working capital could be financed, the Federal Government authorized, in June 1940, advance payments up to 30 per cent, without interest, on Army and Navy contracts. While the original terms were subsequently broadened, as a general rule only prime contractors were eligible for advances and the subcontractors who frequently needed help the most did not qualify. Many large contractors who could have borrowed easily from the banks took an advance instead, not only because it was interest free, but on account of the set-off provision in case of cancellation of contract. It is estimated that there is presently 11/2 to 2 billions of advances outstanding. However, the need for advances has materially decreased since Regulation V became effective. While the services will still make advances when required, interest at 2½ per cent per annum on contracts entered into subsequent to April 11, 1942 will be charged. The services now encourage bank loans. This is important from two angles: Not only will this use to advantage the surplus loanable funds of the banks, but it will utilize the already existent facilities of 15,000 banks, and at the same time obviate the necessity of superimposing on the present banking structure further governmental supervision of advances.

UNTIL Pearl Harbor, war contracts were not widely spread. A relatively small number of large prime contractors had the bulk of the orders; in fact, 100 companies held 76 per cent of the total awards placed from June 1940 to February 1942. But today this is changing. for the big concerns have about all they can handle and are themselves desperately searching for subcontractors. In fact the subs, and sub-subs and sub-subsubs are our hope in the production problem. The work is being spread; for example an automobile company is making a cannon having 194 parts and 161 of them are made by subcontractors. Likewise, plants in 39 different cities turn out sub-assemblies for an aviation

Conversion-A diamond cutter makes surgical instruments



September 1942

engine built in Indianapolis. As many marginal subcontractors are being brought into the production picture. in a number of cases it was found difficult to arrange financing because, being a sub, they could not get an advance and their heavy balance sheet or distorted ratios prevented a bank from loaning them depositors' money. Also, other contractors discovered that the tremendously increased volume of business they were doing under the war program was entirely too large to be supported by working capital which would have been entirely adequate for normal peacetime activity. To bridge this gap Regulation V was devised whereby production was made the prime basis for loans which would in turn be Government guaranteed.

On March 26, 1942, the President issued Executive Order 9112 authorizing the Army, Navy and Maritime Commission to guarantee war production loans made by financing institutions. Eleven days later the Federal Reserve Board issued Regulation V outlining the procedure under which the Federal Reserve banks, acting as fiscal agent, would arrange guaranteed loans. At first it was contemplated that small manufacturers with inadequate credit would be the chief beneficiaries of Regulation V but it is now being widely availed of as well by some of our largest and strongest concerns. The volume of financing under "V" was approximately \$450,000,000 as of early August, and the loans have ranged from \$400 to \$35,000,000. As guaranteed loans become better understood by banks and contractors I am confident they will be used more extensively.

THE bank is not expected to make an unsound loan and the Government realizes that war production requires in many cases more credit than normally is justified and, therefore, is willing to guarantee the difference between the amount the bank can soundly loan based upon banking standards and the expanded war production need. The bank should take its full responsibility, and participate in a guaranteed loan as generously as it prudently can. In few, and then only the most unusual. cases will a 100 per cent guarantee be approved.

The A.B.A. in June sent to each bank Special Bulletin 85 entitled "War Production Loans," which discussed in detail Regulation V loans and particularly the guarantee agreement the bank receives when such a loan is consummated. It is assumed that all banks are generally familiar with the bulletin. Following are some of the principal points included in or significant to the guarantee:

1. Any borrower engaged in or about to engage in work necessary for the prosecution of the war, be he prime or sub or sub-sub, is eligible for a V loan.

2. The guarantor is the actual service concerned. The Federal Reserve bank acts only as fiscal agent. A fee for the guarantee is paid by the bank to the service and ranges from 10 per cent to 40 per cent of the interest collected. The larger the guarantee, the higher the fee, so a further incentive is given to the bank to take as large a share of the loan as possible.

3. The Government will repurchase unconditionally within 10 days after demand the guaranteed portion of the loan. Such demand can be made at any time prior

(CONTINUED ON PAGE 154)



## THE EFFECTS OF WAR

Vice-chairman of the Board, The National City Bank of New York —W. RANDOLPH BURGESS

ANKERS these days are using spare minutes to jot down figures on the backs of envelopes, the corners of newspapers, and even on tablecloths. They are trying to figure how their banks will look in deposits, earnings, and capital position, as a net result of the government financing and tax programs.

The Under Secretary of the Treasury has just told the Congress that by next June 30 the member bank holdings of government securities are likely to be about double their present holdings. They now own about 24 billion dollars worth, and less than a year from now, despite higher taxes and vigorous efforts to sell bonds to investors, banks are likely to hold over 48 billion dollars of government securities. And that is not all. There may be one, two, or X years more of the same sort of increase.

There is no question about doing the job; there can be no holding back. Each bank is prepared to carry its share of the load. Excess reserves have declined and the margin of profit on successive new issues has been pared down to the vanishing point. But the banks have continued to enter their subscriptions for the larger and more frequent Treasury issues. As Secretary Morgenthau testified, the banks were not being forced to subscribe. They have responded willingly because they understood the task to be done and their share in it.

The Economic Policy Commission of the American Bankers Association last Spring made an analysis of the war financing problem. Even as the report was coming off the press the government estimates for spending and borrowing were revised upward.

The following table shows the probable effect on the banks of the latest budget estimates:

Effect of Government Security Purchases on All Member Banks, Assuming Continuance of Current Trends

(In Billions of Dollars)

	June 30, 1941	June 30,* 1942	June 30,* 1943
Total Loans and Investments:			
Loans	16.7	18.0	18.0
Governments	18.1	23.6	48.8
Other Investments	5.8	6.0	6.0
Total	40.6	47.6	72.8
Liabilities:			
Deposits	58.5	64.9	87.9
Capital Funds	5.8	6.0	6.2
Capital Funds Ratios:			
To Deposits	9.9%	9.2%	7.0%
To Loans and Investments.	14.3%	12.6%	8.5%
# T7 45 1			

\* Estimated.

One painful subject for envelope jottings is bank reserves. Where will the banks get the money to buy all these securities? A year ago they had excess reserves of five billion dollars. Today they have only two billion dollars. How can you buy 24 billion dollars of bonds with two billion dollars of cash?

Here we encounter the most confusing and perplexing concept in economics—the ratio of reserves to credit expansion. Without spelling it all out, the central point is that when banks expand their loans and investments. they must be able to put up at the Reserve banks the reserves legally required for the corresponding expansion of deposits. The average percentage of reserves to deposits in the United States is just under 20 per cent and if this ratio is maintained it will take nearly five billion dollars of reserves to finance the purchase of 24 billion dollars of government securities. Actually even more reserve money will be required, for currency demand has been increasing under the stress of huge production and payrolls and rising prices. There is also some hoarding. Currency in circulation rose almost three billion in the past 12 months. When currency is drawn from the banks it uses up reserves, dollar for dollar.

Thus, about eight billion dollars of extra bank reserves are likely to be needed before the end of this fiscal year (assuming the present two billion of excess reserves are maintained). Where will they come from?

In World War I the banks borrowed from the Federal Reserve banks most of the extra reserve money they needed. That could be done again. But there are other alternatives. The legal reserve requirement could be reduced, thus freeing reserves for the new load to be carried. Or the Federal Reserve System could buy government securities, thus pouring reserve funds into the banks.

The banks will carry through this big undertaking with more confidence if they do not have to borrow heavily and continuously. They are reluctant, and with reason, to be borrowers for extended periods. In the course of this huge program with its great shifts of funds about the country, some banks may have to borrow at times. They should do so freely when necessary. Under these circumstances borrowing will be a sign that a bank is doing its share in the Government's financing program.

But that program will be carried through more smoothly and with less risk of unstable money rates if the banks can obtain in other ways the bulk of new reserves required—by reduction in reserve requirements, and by Federal Reserve open market purchases. The Reserve System has given clear indication of moving in that direction, by substantial purchases of governments and by securing the passage of legislation giving them greater flexibility in dealing with reserve requirements. The new amendment gives them the power to change the requirements of banks in central reserve cities separately from those of other groups of banks.

## FINANCING ON BANKS

The net of all this is that every bank may go ahead and buy its share of the new government issues with assurance that additional reserves will be available as needed.

Of course, this does not mean a bank can afford to neglect its reserve position. In the period we face the management of reserves will be one of a banker's essential tasks—just as it used to be. This problem, however, has been greatly eased by the increase in the outstanding volume of Treasury bills and certificates readily salable at any time.

These facilities and the demonstrated readiness of the Reserve System to put out additional reserve funds support the full participation of all banks in the financing program.

Another figure bankers are working out on the backs of envelopes is their capital position after another year or two of expansion. As the foregoing table shows there will be quite a shrinkage.

Or course, the old standard ratio between capital and deposits was not a wholly satisfactory measure of soundness. It was only good if you could assume that all funds were employed at equal risk. How much capital a bank needs depends on the risk of loss, and that is a question of character of assets. If a bank holds mortgages, or long-term corporate bonds, or is heavily loaned up, the risk is much larger and the capital need greater than if the bank is very liquid.

Within the past decade the assets of banks have changed markedly. A smaller proportion is in loans, a larger part in cash and government securities. Mortgage and corporate security holdings are reduced. It is true that the capital funds are smaller, but the risk to be covered is much less.

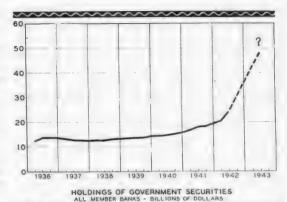
The problem is complicated by the virtual absence of a market for bank stock. Bank earnings and earnings prospects have not been such as to attract new investment money. New capital must be earned.

A commonsense general view, and recognizing sharp differences between banks, is that this situation is not alarming but does suggest certain precautions:

- Banks need to husband their capital by conservative dividend policies.
- 2. Venture assets, old and new, should be scrutinized closely, while doing vigorously the war lending required.
- 3. Maturities of securities, even governments, should be relatively short.
- Earnings should be adequate to provide a steady increase in capital and reserves.

Banks, of course, are not wholly the masters of their earnings. They are between the upper millstone of low money rates and the nether millstone of high taxes.

But even at present rates of interest and with the taxes now suggested, the prospective added volume of government holdings should yield enough income for most banks to retain something close to their recent



rates of earnings, enough to show some small increase in capital funds against a large increase in government holdings. It is not a very pleasing prospect. It is no bed of roses and calls for careful management. But this is not a period when any business can be free of risks. When the whole country faces the hazards of war the banker must face his hazard as well.

In the whole program the major risk is not to the banks as such. The principal danger is that this huge outpouring of buying power, this prodigious expansion of bank credit, will force up prices and the cost of living—in other words, will bring inflation upon the country.

We have been living with this fear so long that we have become a little hardened to it. We comfort ourselves with the thought that nothing serious has happened yet. But inflations are cumulative and the present course of the economic trends is painfully like that of the first World War.

The inflation forces are so cosmic, such a broad stream of movement both political and economic, that we seem almost helpless before them. Much of it is largely outside the realm of the banker. This inflationary surge, for example, comes when wage earners have just been winning a hard-fought political struggle for higher wages, shorter hours, more recognition, when farmers have been gaining some control over too-long depressed farm prices. These movements run head on into inflation controls. That is a political situation about which the banker can do very little. The amount and character of taxation are also at the core of the inflation problem. The banker as citizen shares responsibility with others in these areas, but they are not in his special field.

But one responsibility lies directly at his door. It is the sale of government securities outside the banks in the greatest possible amounts to lessen bank credit inflation. Bankers are way out in front in getting this job done. They have made a fine start both in their own offices with their customers and in giving leadership to the War Savings Bond organizations and the Victory Fund committees. This panel on Cost of Living Controls was held in the dining room of the Murray Hill Hotel, New York City. The headquarters staff of the American Bankers Association was the audience and Dr. Stonier, executive manager of the Association, presided.

MAIRMAN STONIER: Ladies and gentlemen, as you know, it was necessary to cancel this year's A.B.A. convention in Detroit. Last year at Chicago an outstanding feature of the convention was the panel put on by Dr. Paul Cadman, our economist. There, a group of economists talked together on problems then current in the economic world. We determined to have a similar panel this year, but not being able to present it

at Detroit, we are offering it here.

Naturally, in the very brief time at our disposal some important phases of the subject will have to be omitted, but I hope that this will be only the first statement of a more important and comprehensive topic which, for want of a better definition, we can borrow from H. G. Wells: "The Shape of Things to Come." At the left I present Dr. Willard Atkins of New York University and our Graduate School of Banking. Then, at Dr. Cadman's left is Professor Anton Friedrich of New York University, also of the Graduate School faculty. Professor Montfort Jones of the University of Pittsburgh and the Graduate School, is the other member of the panel at the right. Without further ado I shall turn the meeting over to Dr. Cadman.



". . . the term INFLATION should be defined . . ."

CADMAN: It is important that we agree as to the meaning of inflation before trying to discuss the attempts to control it or what its ultimate effect may be. I am going to ask Jones if he will give us his definition, if we can get him to commit himself to one.

". . . there's a big
difference in types . . ."



Jones: I think that term, "wartime inflation," just about expresses it. Some people think that any rise in prices is inflationary but a rise in prices in periods of prosperity is generally looked upon as a good thing. Some think of inflation in terms of a complete distortion of the monetary system. Others speak in terms of a credit inflation near the end of an upward movement in the business cycle. In this wartime inflation you have the tremendous increase in the buying power of the Ameri-



can people as a whole, coupled with a tremendous shortage of goods.

CADMAN: Well, how does a wartime inflation differ from, let's say, a speculative inflation?

JONES: You have this great diversion of goods from peace to war uses, and this immense production that is not connected with profit at all. An ordinary credit inflation runs into resistance after a while. People get skeptical about how long it is going to last, and it collapses. This does not happen in time of war.

We are going to continue this tremendous production of war goods, and this outpouring of purchasing power until military objectives have been reached. It is not going to fall by its own weight as a peacetime inflation

does.

". . . every major price rise is inflationary if . . ."



FRIEDRICH: Isn't an inflationary situation any price rise which threatens to continue to levels that are economically undesirable? Our concern is with the fact that prices may continue rising beyond the point where they stimulate production, and where forward commitments, such as mortgage loans, instalment purchases, etc., threaten to default. There is the fear that it is all going to end in a grand economic collapse. Every major price rise is inflationary if it reaches the point where the increase in prices no longer brings into the market an increase in the supply of goods.

CADMAN: After all, isn't this the distinguishing characteristic of the present inflation as compared with the rising prices which normally accompany periods of prosperity? Today there is a vast production of goods, the bulk of which is diverted to war needs rather than to

consumer satisfaction.



FRIEDRICH: That is true and another factor which Jones mentioned should be underscored. In a peacetime inflation boom, rising costs, declining profit margins, tightening credit, act to check inflationary developments and to reverse the trend. In a total war-economy these controls are off. Production and deficit spending go on until a military conclusion is reached.



". . . I disagree with you and Jones too . . ."

ATKINS: May I interrupt here? I disagree with you and Jones too, in regard to what inflation means.

JONES: That convinces me we are right!

ATKINS: What inflation means in a wartime period is an impairment of the standard of living of people with relatively fixed incomes. Look what happens: The price of sugar is frozen at five cents a pound. But the point is, you cannot have sugar.

What will happen in this economy is that when goods are scarce, you simply will not have them. The standard of living will be impaired and attempts to get substitutes will be frustrated. One of my neighbors had to walk five miles to get a sugar card. We shall be thrown into all sorts of incidental expenses, all sorts of incidental deprivations.

CADMAN: Atkins has implied that inflation isn't a price phenomenon at all.

ATKINS: There will be occasional rising prices, and they may be part of inflation, but you could conceivably have a price ceiling under which the standard of living would fall.

FRIEDRICH: Well, Atkins, in that case, I wouldn't say you had inflation. I think that you are trying to make the word "inflation" cover everything. What you have there is an impairment of the standard of living due

to a physical withdrawal of goods and services.

Jones: That is exactly why we distinguish this as a wartime inflation. You don't have that picture in a normal credit inflation, where production is devoted to consumer goods.

". . . about the thing
Washington fears . . ."



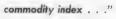
Cadman: Well, let's put it this way, before we get lost in a maze of opinion about what inflation means: Let's talk about the thing that Washington fears. The President has come out with a seven-point program against inflation. Every day, we are told that the great menace to the country now, next to our external enemies, is inflation. Therefore, we are not discussing a theory; we are discussing something that apparently is sufficiently threatening at this moment so that the entire nation and the Congress and the Executive are trying to take steps either to stop it or to hold it in control. Now, what is it? A rise in prices or a shortage of goods, or is it both?

FRIEDRICH: I think one thing is clearly indicated. It is rising prices that we want to keep in check.

CADMAN: In plain language then it is a question of the cost of living. All of us in this room, if we were asked now to write the briefest possible definition of inflation, would say that it is a rise in the cost of living.

Now, let me ask: Is this something that we have to fear in the future, or has it already taken place?

". . . look at the





Jones: At the present time we probably haven't very much more inflation than we would have had in a good old-fashioned business boom. The wholesale commodity index is up 31 per cent over the last pre-war month, August 1939, and it was at a rather low level at that time.

CADMAN: The wholesale commodity price index is made up of a very large number of commodities which the American public uses. It is based on and assumes competitive conditions in our economy.

JONES: One reason for the moderate rise in the last six months has been the inauguration of price controls. Where the price index would be now under a perfectly free economy without any governmental intervention would be an interesting speculation.

CADMAN: The kind of inflation we are now discussing is made up of two elements, the supply of money and the supply of goods. When the supply of money increases more rapidly than the supply of goods to be bought, the stage is set for inflation. What is there in the present situation that is particularly threatening?

JONES: Both are getting worse.

Most of this purchasing power comes out of government spending. Federal expenditures during the month of June reached \$4 billion for the first time, and they are going to be over \$5 billion in July. On the goods side, I don't think the situation will become critical for another six months. There are still substantial inventories, even in a lot of consumer durable goods. I think in six months from now the situation on both the money and the goods side is going to be much more acute than it is now.

CADMAN: You mean we are going to have more money and less goods!

ATKINS: I'll agree, provided it's understood that I won't have more money. Somebody else will have it.

Jones: You wouldn't spend it if you did have it.

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Upon reaching this part of the discussion the panel turned its attention to the question of which elements in the present situation seemed particularly threatening to the price structure. There was general agreement among the paneleers that the situation was likely to get worse. The reasons include the pace of Federal spending, the failure to bring all prices under ceiling restrictions, the fact that wages are still free to go up, and the delay in adopting a realistic tax program. Then:

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". . . the chances of success in price fixing . . ."

CADMAN: A Federal bureau, the OPA, has been established which is said to have 30,000 employees. This agency has fixed maximum prices for a large number of commodities. It has immense powers and Administration support. Atkins, do you believe this attempt at price regulation will succeed?

ATKINS: My answer is that the inflationary threat can be stopped only to a limited degree by the Office of Price Administration. There are more substantial factors making for inflation than the presence or absence of a policing force in the OPA. The OPA will succeed or fail in terms of what is being done outside that office in the financing and taxing program of the Government. A ceiling on prices is no guaranty that the article will be there at a price. Price indices do not reveal what is going on. Already at the Faculty Club, chicken has become chicken croquettes at the same price, but it is not the same thing. Cheapening of quality is very difficult to check. Also, as long as you have purchasing power unspent, in people's pockets, they will press for goods, and if they can't get the goods they want and in quantities they want, they will operate outside through "black markets," and illegal channels. Inflation as a phenomenon is a liquidation of the middle class. That is

why I am hot about it. I am a member of the middle class and I am being liquidated and I don't like it,

". . . the consumer will go to 'black markets' . . ?"



FRIEDRICH: Wait a minute, Atkins! You say if the OPA merely establishes by decree a maximum price above which goods cannot go, that with the unspent dollars the consumers will go to the "black markets" or force the price up in some way or other. But why can't the OPA generalize rationing? Then, even though my money burns in my pockets, I can't spend it because I must have a card or coupon with which to buy.

ATKINS: Not only will you have to have certain cards or coupons, but you will have to line up in queues and wait. You will have to go to market and be disappointed and try to purchase substitutes.

FRIEDRICH: Why do you think Henderson's office cannot freeze prices through administrative and police action?

CADMAN: Wait a minute, Atkins, before you answer that. Just for the sake of review, let's speak on the various things that Henderson's OPA is doing. What about ceilings and priorities and regulations and rationing?

Jones: The idea of price ceilings is not absolutely to fix prices; it is to moderate the rise. These price ceilings are going to be raised if there are increasing costs. In any program for combating inflation, the fixing of price ceilings and the rationing of scarce goods is absolutely essential, but of course it must be accompanied by other policies. Without rationing, if you have no price ceilings, the fellow with the fattest pocketbook gets all the goods. If you have price ceilings without rationing, the fellow who is first in line gets all the goods.

CADMAN: Where do subsidies come in and to whom do they go?

". . . maximum production is a factor . . .



Jones: As an illustration, we need metals. The Metals Reserve Corporation is buying a lot of lead, copper, and zinc, at from 33 per cent to 41 per cent over the price ceilings on those metals. They are buying from the high cost producers, but the Government is maintaining the price ceilings for the great bulk of purchases. That is done to get maximum production. In the other war we raised prices high enough to take care of the marginal producer and then the low cost producer made a terrific profit.

FRIEDRICH: It should be pointed out that certain prices are free of any effective governmental control.

Agricultural prices enter into the cost of producing other goods, and, obviously, they enter into the cost of living. If those prices are free to move up and do move up as they have in recent months, they in turn will affect other prices. Consequently price ceilings will have to be moved upward even in non-agricultural goods. Organized labor as yet has not fully accepted the idea of regulated wages. Now, if wages are free and agricultural prices are free, it means that a large part of the cost of goods is not controlled, and as they go up, the prices must go up in turn, and lift wages and farm prices. The problem of maintaining price ceilings will be greatly simplified when, as, and if wages and farm prices are stabilized in fact. Until that is done, price ceilings, rationing, subsidies, control of inventories, etc., will not stop price increases but will only keep them from rising as fast and far as they otherwise would.

Jones: I don't want to leave the impression that nothing is being done about wages and farm prices. They are both being stabilized, but I must say at a slightly more generous level than other prices. They are tixing parity in the finest years that the farmer ever had -1909 to 1914. They are stabilizing wages as of January 1941, the finest month they ever had. But when they come to fix the excess profits of corporations, they are selecting the four not so good years from 1936 to 1939. You have to select the base according to what you want to do to the various people.

CADMAN: We made a diligent search to find out whether any pronouncement of the National War Labor Board could be taken as an intention to stabilize wages. We can find no substantial evidence that stabilization is going to be definitely announced or that it will be definitely applied.

JONES: In a general way they are trying to tie wage increases to increases in the cost of living. That is a step forward.



". . . wages and the cost of living . . ."

Cadman: Yes, except that it is the dog chasing its tail—because if you are going to raise wages to meet the cost of living, that wage cost is going to be reflected in everything that is manufactured or grown or sold. Isn't that evidence that regulations, price ceilings, subsidies and controls must go along together in order to bring about an effective check on inflation?

JONES: Yes, and you have got to do it cautiously, with gloves. You can crack down on the steel companies, but you can't crack down on labor. You would have to finagle.

CADMAN: Thus far we have discussed price ceilings, rationing, and subsidies. These are all on the "goods" side of inflation. Let's look at the money side. What are some of the proposals to mop up this excess purchasing power, Jones?

JONES: You tax the daylights out of the people in the

first place—and then if they have any money left you try to get them to buy government bonds, voluntarily now, and perhaps on some compulsory basis later on. The whole philosophy of the pending tax bill is largely built around the idea of taking away a substantial part of this purchasing power from those who happen to hold it.

ATKINS: In England a considerable part of the national income is being absorbed by the increase in betting on horse racing and dog racing, with the government taking a considerable share of the betting total.

JONES: The great bulk of the purchasing power that is having the inflationary influence is in the hands of the low income groups.

CADMAN: That point has a social, as well as a political, significance. If you took all of the income over \$25,000 a year from every American who enjoys that much income or more, it would increase the tax receipts only \$186 million a year, and we are now spending in excess of \$150 million a day.

Jones: Treasury economists have also estimated that if the Government took all of the income of individuals over \$5,000 a year, it would add only \$5,200,000,000 to the government revenues, and that would just about finance the Government for the month of July. The purchasing power that you have to attack is in the low income groups which have been very largely exempt from taxation.

". . . taxing excessive incomes . . ?"



ATKINS: Wasn't it the President who suggested that we tax away all incomes in excess of \$25,000? Do you suppose the suggestion was made to increase revenue or for some other reason?

CADMAN: It can't have any but political significance because the yield so far as that particular tax is concerned is well known. It is important politically because, in order to take income away from the low income group you have got to take it from the other groups first.

JONES: That is political, not economic.

CADMAN: As far as this excess supply of money is concerned, the proposal is to capture as much as possible of it by taxation. The Federal tax revenues for the fiscal year, and the state and local tax revenues together, total about \$34 billion, if the tax proposals now before the Senate are in general accepted. Those \$34 billion will provide less than one-half of the revenue needed during the year. Now we cannot get it all by taxation. Therefore, what else do we do?

JONES: You borrow it. Unfortunately you can't finance a war of this magnitude out of past and current savings. It has got to be financed out of created money—and there is your inflation dilemma.

CADMAN: Historically the limits of taxation are at the point where both production and saving are discour-

aged. Hence governments have to borrow. But when patriotic appeals and high pressures have been applied, the borrowing still falls short of the need. Then modern governments resort to the use of bank credit. Jones, what is this process and how does it differ from other borrowing?

Jones: There is a great difference between borrowing from a commercial bank and borrowing from any other type of investor. When the Government is furnished by the commercial bank with a million dollars through a purchase of government bonds, the Government gets the million dollars which has not been taken away from anybody and creates a million dollars of purchasing power which did not exist before. Unfortunately we must finance a very large part of the war out of created money of exactly that type.

FRIEDRICH: A writer calls that "invisible green-backs." In other words, bank deposit money is "created" money although in a less visible, tangible form

than greenbacks.

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Professor Jones explained the differences between borrowing from a commercial bank and borrowing from other types of investors, individual, or corporate insofar as the inflationary effect is concerned. Then—

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CADMAN: We have already suggested that there are two large elements in prices which are out of control: one is wages, and the other is farm prices. We have also spoken of the political inexpediency of taxation. We can tax the rich, and could take all of the income of everybody in America over \$5,000 and still add only about \$6 billion to our tax receipts. Why isn't the tax program, as it is now anticipated, an effective means of helping to check inflation?



". . . if we were merely automatons . . ."

FRIEDRICH: One difficulty is that taxes are not heavy enough to make a large impression upon the inflation cycle. Instead of collecting \$20 billion, it would be much sounder economically to collect at least one-half of the total war spendings by taxation. I suggest one-half because I haven't got the nerve to say more. If we were merely automatons, without feelings and emotions and ideas of what is just and unjust, it would be sound to take 100 per cent of the war spendings out of taxation. In that case we would not worry about inflation, but we would worry about a lot of other things that might be worse. The other aspect of the problem is the resistance which is going to be put up by various groups to increasing taxes or those levies, such as the sales tax which can really capture some part of their income. The tax

program will tax the groups that can do the least political damage; that can punish the legislators the least. The larger factor we will have to face is that we are not only fighting a war, but we are also going through a social revolution. The tax program, therefore, will be designed only partly from the viewpoint of inflation control and partly as an accommodation to political and social conflicts.

CADMAN: The New York Times has an editorial this morning in which it said that if Congress does not tax fearlessly, and by that it means if it does not lay a tax on the great mass of wage earners, inflation will do the same thing. The tenor of that editorial is that inflation will take the place of the taxation, which Congress is now trying to avoid. Atkins, what do you think?

ATKINS: A 10 per cent sales tax will do no more harm than a 10 per cent increase in prices. The trouble with the 10 per cent sales tax from the standpoint of the Administration is that it would touch the workers and the farmers on whose influence it came to power. Nevertheless it is the increased income and spending of these two groups which constitutes the bulk of the inflationary threat. I think that it is significant that Mr. Henderson now has spoken out so sharply against those groups.



". . . a question from the floor . .

STONIER: Will you allow a question from the audience? Atkins, a few minutes ago you spoke of the middle class. How large is this middle class group that you suggest is being liquidated?

ATKINS: In terms of income, I would put it between \$2,000 and \$10,000. The problem as I see it in a period of this kind is that you liquidate the virtues which are necessary to a going society. The middle class has the virtue of thrift and saving; it is the class that has families; it is the class that believes in home ownership; it has property impulses; it doesn't destroy; it is careful. The members of the family—the father and mother are the people who are active in the community. They carry on the arts and the social affairs of the community. What you do when you liquidate this class is something more than simply saying they will have less. You liquidate the qualities of thrift and consideration for the future. You liquidate a respect for property and put in its place destruction. The middle class has a conception of work and a faithfulness to a job-a dollar earned and a dollar's worth of energy delivered. They carry along the virtues that are necessary to any sort of society.

STONIER: Those of us who are in the middle class know that our incomes are about the same today as they were five years ago. Is any attempt being made, in this country or elsewhere, to differentiate between the person whose income today is about the same as against those who have had a tremendous increase?

(CONTINUED ON PAGE 169)



The Coordinator of Defense Transportation—JOSEPH B. EAST-MAN

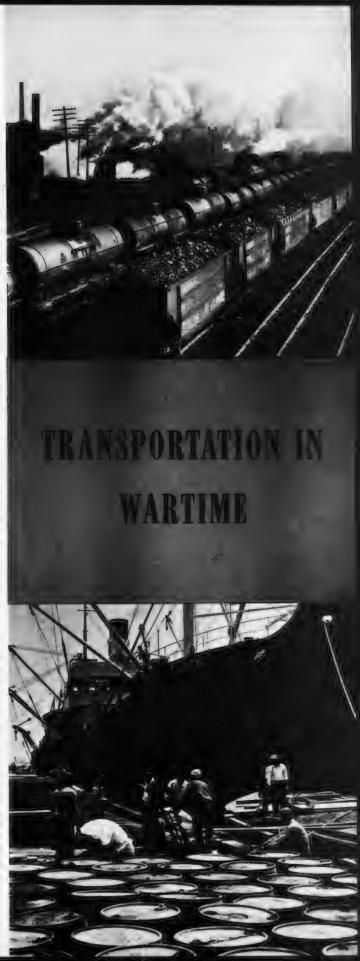
Bankers Association has cooperated with the Office of Defense Transportation. Not only has our suggestion been followed that vacations be spread and arranged so as to begin and end in mid-week, but the Association has also called off its annual convention. Instead of the convention, it is printing in this magazine the papers which would have been read at the convention, and I find it a pleasure to add one of my own.

Total war such as we have today brings into action, not only the armies and navies, but the productivity of entire populations and all the resources that nations possess. The one thing that ties all of these activities together is transportation. We cannot fight a war without it, and we cannot fight our best unless transportation functions somewhere near 100 per cent in efficiency.

Our domestic transportation system has come reasonably close to such a performance ever since the beginning of the emergency in 1939. I can say this without boasting, since I have had comparatively little to do with it, for the Office of Defense Transportation was not created until about the first of this year.

THE major credit for the excellent performance must go to the carriers and their employees and to the shippers of the United States, who have cooperated so well with the carriers. The railroads did not forget the lessons taught them by the last war. This time they were well organized and had their plans ready. Those plans are based on the proposition that the way to move freight is to keep the cars rolling and that the unforgivable sin is to allow cars to be loaded which cannot be unloaded when they reach their destination, and thus to convert them into storage facilities.

Thus far there has been no breakdown and no serious congestion in domestic transportation. It has done adequately and well all that it has been called upon to do. When our great production programs were first started many people entertained the fear that the railroads would not be able to do their part. For several years, in the face of declining traffic and a great increase





Troop trains have the right of way

in competition from other forms of transportation, the railroads had permitted their supply of both cars and locomotives to decrease materially. For example, compared with 1929 when traffic was at a peak, freight cars available for service had gone down in number more than 30 per cent, and to a lesser degree motive power had also decreased. Both cars and locomotives seemed old and the impression was widespread that because of the years of poverty, road-bed and track had not been well maintained. In the past three years, predictions have been common that the railroads would not be able to stand up under the strain of the rapidly increasing traffic. Yet in 1941, they set an all-time record of ton-miles of freight carried, and because of the more rapid circulation and efficient use of freight cars in that year, a car was equal to one and one-third cars.

This year the general increase in traffic has continued and in addition the railroads have been put to an extra and a very heavy strain, not only because of the extensive and continuous movement of troops, but also because they have been called upon to carry a great volume of freight which formerly moved by water. For a long time no ships have operated between our East and West coasts through the Panama Canal. The railroads have

had to take up the entire burden of transcontinental traffic at a time when our war with Japan has made it exceedingly heavy. In the past, the Eastern Seaboard has been supplied with petroleum mostly by tankers operating on the ocean from gulf ports. During the week of Pearl Harbor, the railroads carried about 70,000 barrels of oil a day by tank cars to this territory. Today the tankers have largely been withdrawn and the railroads are carrying not far from 800,000 barrels per day, much of it from the remote Southwest. Much of the coal moving to New England has in the past come from Hampton Roads by collier and barge. The submarine menace has impaired that method of supply and the movement of coal by railroad to New England has greatly increased. Many commodities which formerly came into eastern ports by ocean from the Gulf and South America are now moving to gulf ports and thence by rail to eastern destinations.

A great deal of this diverted traffic must necessarily be hauled long distances. Because of this and the further fact that cars are being loaded on the average more heavily, ton-miles are increasing at more than double the rate of car loadings. The number of car loadings per week is no longer an accurate index of railroad performance. It understates the facts.

You may have seen statements to the effect that there are large accumulations of overseas freight at ports or on the lines leading to ports, thereby creating the impression that the ports are blocked. This is not the case. The ports are in a liquid condition. There are no present accumulations of cars at ports which are in any way alarming. It is true the considerable overseas freight is in storage at the ports and elsewhere. But it is not being held to any important extent in freight cars and so it is not interfering with the domestic movement of traffic.

Freight cars must not be used for storage and they will not be. Storage depots of large capacity have been and are being constructed by the Army; much ground storage made available by the railroads is being used; the storage and warehousing industry of the country has been well organized to give effective aid. You need not be alarmed when you see war products in storage. It does not mean that our transportation system has broken down. From the beginning we knew that it would be necessary to store great quantities of war products in this country, not only to maintain adequate reserves but until deficiencies in shipping could be overcome.

While the railroads have done a splendid job, they would have been in a sorry plight if they had not had the help of their erstwhile foes, the trucks and buses. The trucks of this country have been carrying at least 13 per cent as many ton-miles as the railroads (I believe this to be an underestimate), and much of it is the kind of traffic that is most difficult for the railroads to handle economically and efficiently. The buses have to a large extent taken the place of local railroad trains, and they serve thousands of communities which have little or no railroad passenger service. The fact is, also, that the railroads themselves are among the largest users of trucks and buses. They have woven them closely into their rail operations and their efficiency will drop considerably if they are deprived of the use of such vehicles.

#### Air Travel Priorities

Travelers having no priority rating can still use air transportation as in the past but they are being advised to make their reservations as far ahead as possible and to choose a flight that is normally less crowded than others. The following summary of rulings affecting air travel was recently issued by one air transportation company.

1. The air priority system has been set up to insure the most efficient use of the airlines by those whose travel is most important to the war effort. The Government—not the airline—grants these priorities, which are divided into four classes, taking preference in the following order:

Class 1. White House or other personnel as directed by the President, the Secretary of War or the Secretary of the Navy.

Class 2. Pilots of the ferrying commands when traveling under orders which specifically direct air transportation.

Class 3. Military personnel or others whose air travel is specifically ordered by the military and "civilians for whom emergency air travel is essential to expedite war production, construction or other activities connected with the war program."

Class 4. Military equipment, supplies, and material essential to the war which is specifically ordered moved by priority air transportation.

2. Most prime contractors and subcontractors now have military or government representatives assigned to their plants as inspectors or expeditors. These representatives can apply to the Air Priorities Division of the Army Air Forces for authority to issue certificates to all travelers entitled to priority in connection with their assignments.

3. Local officials of the Federal Government may also obtain authority to grant air travel priority to those traveling for or in the interest of their respective departments.

4. Moreover, about August 1, Regional Air Priority Control Offices were established.

5. All priority certificates are to be presented to the airline at the time reservations are made.

6. So, if you are entitled to priority in air travel, you can get it—and you should get it.

However, the job ahead is bigger and much harder than what has gone before. The primary reason for this lies in the shortage of critical materials. There is not enough rubber, steel, copper, and other materials to go around. We must bear in mind that this country is engaged in the most gigantic program of production in history. It is creating, mechanizing, and arming great military forces of its own. It is providing armaments and supplies for our allies. It is building great numbers of ships which can carry the troops, the armaments, and the supplies to the uttermost parts of the earth. It is creating great naval and air forces which can protect

these ships against submarines. It is building plants for the manufacture of synthetic rubber to take the place of hundreds of thousands of square miles of rubber plantations which are now in the hands of the enemy.

Passenger service by railroad and bus is now running on the average considerably more than 50 per cent ahead of last year and the tide continues to rise. To the extent that people cease to use their automobiles for travel, a new and ever-increasing load will fall on the railroad and bus lines. Both are being asked more and more to establish shuttle service for the workers in the great new war production plants. The supreme demand upon them is for the continually increasing movements of troops. This must be done promptly and efficiently regardless of everything else. Because of these present and prospective conditions and to avoid the need for drastic and compulsory restrictions, we have asked the people to avoid all unnecessary travel.

Our gravest transportation problem is with respect to our rubber-borne highway vehicles. This country uses such vehicles to an extent without parallel anywhere in the world. We shall suffer severely if we are deprived of their use for essential purposes, and the largest part of their use is for such purposes. Practically no new rubber-borne vehicles are now being constructed for civilian use, and nearly all of the sources from which we have obtained our supply of crude rubber are in the hands of the enemy.

I cannot take time to discuss this rubber problem at length, but let me say this: We are a very ingenious and resourceful people. Our research laboratories have been working night and day, and I have great hopes for the results. But I have seen or heard of nothing which leads me to believe that there is any escape from the conclusion that if we are to preserve our rubber-borne transport for essential purposes, we must for many months to come give those vehicles and their tires the most jealous and painstaking care, eliminate all wasteful use, and cut social and recreational use to the bone.

Tanks, too, get the green light



HING

## WAR FINANCE IN CANADA

Chairman of the Dominion of Canada's National War Finance Committee and General Manager of the Bank of Montreal—GEORGE W. SPINNEY

N September 9, 1939, the Canadian people, through their elected representatives in Parliament, decided to declare war on Germany and to join in the fight against Hitlerism. At that time Canada had only 11,000 men in her armed forces, and virtually no war industry.

Today Canada's active Navy, Army and Air Force number nearly 500,000, all of whom have volunteered for service anywhere in the world. Many thousands more are enlisted for home defense and in reserve units.

Today more than 40 per cent of Canada's economic energies have been mobilized into wartime activities, and war weapons and munitions made in Canada are in use by the armed forces of the United Nations in practically every theatre of war in the world.

Supplies from the United States have played a vital role in the building of Canada's war production. In addition, Canada and the United States for some time past have followed joint programs for the defense of the North American continent, for the coordination of war production, and the efficient utilization of raw materials.

The tremendous growth of war activity, and its impact on the Canadian economy, may be measured by the record of dollar outlay for war purposes by the Dominion Government, and by the relationship of these amounts to Canada's national income.

DISBURSEMENTS of the Government for war and nonwar purposes in the last pre-war fiscal year, ended March 31, 1939, and in each fiscal year thereafter, are set out below:

Year Ending	Outlay in Millions of Dollars				
March 31	Total S	War	Non-War		
1939	574	34	540		
1940		235	569		
1941	1,680	1,186	494		
1942 (Preliminary)	3,027	2,479	548		
1943 (Budget)	3,900	3,330	570		

Total outlay in the current financial year, ending March 31, 1943, is nearly seven times the level of outlay in the year ended March 31, 1939. Expenditure for war alone comprises over 85 per cent of total outlay in the current financial year.

At the outbreak of hostilities, expenditures for defense purposes were barely 1 per cent of the national income. In 1941, the 35 per cent level was passed. And

this year the upward trend continues, the level of 50 per cent lurking just over the horizon. These figures become even more significant when it is realized that Canada's national income this year will probably be about 70 per cent greater than 1938, due largely to increased production and employment.

THE magnitude of Canada's contribution to this war is illustrated by the fact that during the war of 1914-18 war expenditures in any year did not exceed 10 per cent of the national income. Further, prospective disbursements for war in the present fiscal year are equivalent to over 85 per cent of the entire national income in the year 1938, and to more than the whole national income in any of the years 1932 to 1935, inclusive.

The mobilization of Canada's resources for war and the fight against inflationary developments have required tremendous increases in taxation and borrowing, as well as the introduction of extensive non-financial controls, such as over-all price control, stabilization of wages and salaries, priorities, rationing, foreign exchange control, and the direction of manpower under a selective service program. Controls of this kind, while new to Canada, and involving great administrative difficulties, in the main are producing the desired results.

Taxation and borrowing have been the main instruments of government control over civilian spending since the start of the war, although the non-financial controls have multiplied and increased in importance with the steady growth of pressure on Canada's resources of men, materials, and machines.

Four budgets have been presented to the Canadian House of Commons since the war began, each of which has pushed taxation to higher levels.

THE first war budget in September 1939 was relatively mild in its tax proposals, as idle resources were present on a large scale and there was no pressing need to discourage civilian spending. Over the next three years production for war surged upward, spendable income in the hands of the public increased greatly, and shortages of resources began to multiply with increasing rapidity. To meet these developments, the second budget in June 1940, the third in April 1941, and the fourth in June 1942, imposed extremely heavy tax increases, all of which were designed primarily to hold down the rising tide of civilian spending.

The proportion of Dominion Government outlay covered by taxation in the last pre-war fiscal year ended March 31, 1939, and in each fiscal year thereafter, is

set out in the following table:

(Millions of Dollars)		Yea		March 31 Prelimi-	
				nary)	(Budget)
Item	1939	1940	1941	1942	1943
Total outlay	\$574	\$804	\$1,680	\$3,027	\$3,900
Taxation receipts	499	535	857	1,462	2,050
C Receipts of outlay	87%	66%	51%	48%	52%
Borrowing needs	75	269	823	1,565	1,850

Taxation in the current fiscal year ending March 31, 1943, is expected to produce four times the volume of income that it did in the last pre-war fiscal year, ended March 31, 1939.

The tremendous expansion in taxation revenue since the war began is due to three causes: first, new taxes have been introduced; second, the rates of existing taxes have been raised and their coverage extended; third, the bases of practically all taxes have expanded due to increased trade, employment and income.

While tax increases have fallen most heavily on persons in the middle and upper income levels, the lower income groups, whose aggregate earnings have increased very substantially as a result of war conditions, have been asked for a relatively large contribution. The severity of the increases in taxation on personal incomes may be seen from the following table which sets out a comparison of personal income taxes payable on various incomes at pre-war rates and at the new rates established by the budget just brought down on June 23, 1942.

			Income To	ax Payable		
Income		Single Man New H	Refund-	Married Pe	New B	udget Refund-
Level	Pre-War	Total	able	Pre-War	Total	able
S	S	S	S	S	S	\$
700	nil	40	20	nil	nil	nil
1,000	nil	172	80	nil	nil	nil
1,250	11	267	100	nil	50	25
1,500	22	367	120	nil	217	108
2,500	74	826	200	22	651	250
5,000	265	2,128	400	177	1,878	500
10,000	940	5,112	800	779	4,762	1,000
50,000	15,330	35,703	800	14,944	34,553	1,000
100,000	40,416	81,137	800	39,921	78,987	1,000
500,000	318,600	473,104	800	317,925	462,954	1,000

UNDER the new budget, a part of total income taxes is refundable to the taxpayer. The above table shows the amount of total taxes which is refundable at each income level. This refundable portion of total taxes is refundable currently to the extent it is offset by payments in 1942 on account of life insurance premiums, principal payments on a mortgage, and pension fund payments; the balance, if any, being refundable to the taxpayer after the war with accrued interest at 2 per cent. In effect, this refundable feature operates as a minimum savings requirement as it equalizes the base from which voluntary savings start and assures that everybody, in one way or another, saves a reasonable minimum amount during the war years without creating hardship for those who are obligated to save amounts by way of life insurance, mortgage payments, or pension funds.

In the field of corporate taxation, income taxes on corporations in the last pre-war fiscal year ended Marchinal, 1939 produced about \$85 millions. In the current year it is estimated that income tax on corporations and

excess profits tax will produce about \$770 millions. The minimum rate of tax on corporations is now 40 per cent of profits, and the rate of excess profits tax is 100 per cent of which 20 per cent is refundable to the corporation after the war.

Canadians have accepted these tremendous increases in taxation willingly with the knowledge that these policies, while involving short-run hardships, will produce the best results over the longer term.

In addition to these large tax increases, a substantial amount of borrowing has been necessary, and by far the greater part of it has come from non-banking sources.

Public borrowing operations since the start of the war have consisted of four large bond issues which produced \$2,075 millions of new money, net sales of War Savings Certificates amounting to over \$150 millions up to July 1942, and net sales of non-interest-bearing certificates amounting to over \$9 millions up to the present time.

EACH of these four public bond issues was successfully oversubscribed. The Victory Loan operations in June 1941 and in February 1942 established new record highs in the dollar amount of bonds sold.

Further, in total number of subscribers, the Victory Loan of February 1942 exceeded any other public bond issue in the history of the Dominion. The average: one out of every seven people in Canada was a subscriber to this loan.

The date of each of these issues, the amount of bonds



sold, new money and conversion, and the number of subscribers, are set out below:

	(1	Number of		
Date of Issue	Total N	lew Money	Conversion	Subscribers
	S	\$	\$	
January 1940	250	200	50	178,000
September 1940	325	300	25	151,000
June 1941	837	730	107	968,000
February 1942	997	845	152	1,681,000

The first two bond issues sold in January and September 1940 were distributed in much the same manner as pre-war government loans, individual investment dealers and others being free to compete for subscriptions.

In the period following September 1940, Canada's war effort experienced sharp expansion and the trend of events indicated clearly that governmental expenditure for war, and governmental borrowing needs, would continue to increase for some time to come.

Under these circumstances, it became obvious that the Canadian people would have to greatly increase their savings and that an organization sufficiently large to canvass every potential purchaser of government securities would have to be established for future governmental borrowing operations.

The third loan, or First Victory Loan, in June 1941, marked the change-over from the competitive to the cooperative method of selling government bonds to the public. The organization which was created to distribute this issue involved the cooperative efforts of some 18,000 persons throughout Canada, including about 1,900 persons from the ranks of Canadian investment dealers and brokers. In general, the organizational work and the canvass of large corporate and individual investors was carried out by persons recruited from the staffs of investment dealers and brokers, with the general canvass work being done by the other members of the organization.

Early in 1942, the Dominion Government established the National War Finance Committee. This new committee took over the functions of the committee which had directed the 1941 Victory Loan and the committee which had been entrusted with the task of promoting the sale of War Savings Certificates and Stamps since their introduction in May 1940. The National War Finance Committee, staffed largely by persons who had previously been associated with the Victory Loan Committee and the War Savings Committee, now has the responsibility of promoting maximum voluntary savings by all classes of Canadians, and of channeling these savings to government use through the sale of government securities.

The first big borrowing operation conducted by the National War Finance Committee was the Second Victory Loan in February 1942.

At the present time, the National War Finance Committee is engaged in establishing an organization in each province throughout Canada which will undertake the sale of government securities to the public throughout the entire year, this continuous effort to be supplemented, from time to time, by large scale borrowing operations comparable to the First and Second Victory Loans.

From this brief review, it is obvious that war service and war production are now Canada's biggest and most important jobs. Industry has undergone a revolutionary change and expansion. The armed forces are steadily growing in strength, nearly 15 per cent of Canada's adult male population now being in the armed forces. Rates of taxation and public borrowing operations have expanded to unprecedented levels. Direct controls of many kinds have been imposed on the Canadian economy. Civilian wartime living standards are headed downwards.

In cooperation with the other United Nations, Canadians are grimly resolved to make every sacrifice and to bear whatever burdens may be necessary to win this allout struggle for survival.



Virtually all of Canada's war production factories are on a 24-hour basis. These workmen are grinding 75mm shell cases

## BANKERS IN THE WAR

First Vice-president of the American Bankers Association and president, Mercantile-Commerce Bank and Trust Company, St. Louis—W. L. HEMINGWAY

"I, for one, have no fear that when this terrible conflict is ended and peace restored, we will again have an economic and political system that will give free expression to the genius of our people and lead us on to the great destiny that lies ahead of this nation."



UR first objective is to win the war, and yet, in these times each of us wonders what he can do to help the war effort and most of us feel, I am sure, that there is little one individual can do. We are bewildered by the magnitude of the struggle, but it would be wrong to assume that our individual efforts will contribute so little that they will be futile. It is only by the aggregate actions of us all that we can win.

#### Treasury Finance

As bankers, there is much we can do. Enormous amounts of money are needed to conduct the war successfully, and it is the job of the banks to supply a large part of that money. In fact, it is by the banks or through the banks that it all must ultimately come.

We must support the Treasury in distributing the bonds offered to the public. The banks enjoy a very proud record of having sold 80 per cent of all the Defense Bonds that have been issued. We must do no less a job in the sale of War Bonds-in fact, we must multiply our efforts. Also we must assist in placing Treasury long-term bonds with insurance companies, estates and others for whom investments of this kind are best suited. But when both of these sources have been exhausted the Treasury can only look to the banks for the balance—and we shall not be found wanting. The war must be financed and the banks will do it: by the purchase of bills, certificates of indebtedness, notes, and short-term bonds, such as are suitable for bank investment. So when offerings are made it behooves each bank to take its fair share, for by so doing the burden will not fall too heavily on any. This does not mean that each bank should freeze its position. On the contrary it is expected that a free market will afford opportunities to banks to go in and out of the market as their peculiar needs may require. But except under such conditions each bank should feel that it is doing its patriotic duty when it carries its fair share of government obligations in its portfolio.

#### War Production Credit

In the next place we must see that money is available for contractors and suppliers who are furnishing the

much needed munitions of war. Again we can feel pride in the record made by our banks in helping expedite the war program. The American Bankers Association makes a spot survey of these figures quarterly through 500 banks in the country. In June, 423 of these banks had outstanding war loans and commitments totaling \$4,179,000,000. This represented an increase of 1,159 million over the preceding quarter. There have been a few border line cases where the assets of the applicants were not sufficient to justify bank loans, and the desired articles were thus slower in coming to the assembly lines. Now due to Executive Order No. 9112 of March 26, the Army, Navy and the Maritime Commission are empowered to guarantee the repayment of such loans. I recommend that each banker make as many of these loans as he can, because the more we can make the less will be the strain on the Treasury to find the funds for them through the sale of bonds.

#### Agricultural Credit

In the next place the banks must help the farmer where he needs credit so that our agricultural program will have a generous support because the task of the farmer is enormous due to our undertaking to send food to our Allies as well as to supply our own troops and civilian population.

It is part of our task to lend financial aid and advice to those not directly concerned in war contracts so that there shall be as little disruption as possible on the home front. Therefore, the banks should encourage as much as possible the carrying on of business as usual by that segment of our clients.

#### Public Service

But there is another great objective to which we should turn our attention and that is the reduction in the cost of government apart from the war effort. No expense will be spared to win the war; but aside from that we who are the custodians of the people's money and their advisers in so many ways should take the lead in pointing out to them the absolute necessity for the drastic reduction in non-war expenditures. Much can

## ONE SOLDIER TO ANOTHER



1. "I used to read the bank ads in the paper," said the soldier. "All about Defense Bonds—then War Bonds



2. "But I never saw a bank ad telling a soldier that he was welcome to information or help



3. "Take me, for example, I didn't have a fortune but I did have some cash and a few investments



4. "What happened? I was drafted so quickly I had a compound fracture of my financial membrane



5. "In those days they didn't give a guy much chance to 'wind up' his affairs



6. "As a result, I had notes to be collected, others to be paid, and numerous obligations to be settled



7. "Get me straight. I realize bankers have other things to do than worry about payments on my car



8. "My only beef is I wasn't encouraged to ask for advice at any bank



9. "Everything's ironed out now, including the stripes on my sleeve, but I was in a money mess at first"



10. "Well," said the other soldier, "look at my case"



11. "I sold my house; answered a bank ad about collections. No worries



12. "The money is deposited in a savings account. I get it as needed

Sal

#### ..... J. WILL IRWIN AND BOB KIRKPATRICK



13. "I transferred my checking account to the town nearest camp



14. "While I was in the bank a vicepresident struck up a conversation



15. "When I asked him what to do with the money I had, he sold me War Bonds. Best buy I ever made



16. "When I left home the only money I had to worry about was that good old payday money



17."Here in camp, then, are those whose minds are free from financial



18. "And here in camp are those whose minds are distracted from the serious task of preparing for combat



19. "Remember, Selective Service is digging deeper and deeper into that group of men with financial obligations



20. "And remember the volunteers—patriotism knows no class



21. "So here's a message: Every chance you get, counsel a soldier. A checking account is complicated to many boys



22. "A thing as simple as buying bonds may not enter the mind of the prospective doughboy



23. "Take nothing for granted. Don't let them leave their problems with Sister Jenny or Uncle John



24. "Tell them everything they need to know—make suggestions—help them in every way you can



25. "You'll be rewarded—you'll get a certain feeling—"



## THE WASHINGTON OUTLOOK

this amount of loans have been made by banks for war production purposes in the regular way and without the guarantees of Regulation V.

In financing government itself, chartered banking has written a proud page in the history of banking and of the war effort. Banks have over-subscribed every issue of bonds available to them and now hold nearly 25 billions of dollars of government securities. They are geared to take on an additional 25 billions of dollars or more that will be needed by government from the banks within the next 12 months.

It is no secret that the service of the banks has been the most important factor in the sales of Defense and War Savings Bonds. Full-time services of many thousands of employees of banks are being donated by the banks in the sale of these bonds and they are responsible for 85 per cent of the sales to the public. Furthermore, bankers are now organizing a vast Victory Bond selling campaign.

In addition to these essential war efforts, chartered banking is meeting increased demands for checking, deposit and transfer services both for civilian needs and war purposes. In spite of heavy losses of personnel, banks are training thousands of new workers to carry on efficiently these enlarged war banking services. Trust departments of banks are literally overwhelmed with demands for services on the part of members of the armed forces. There is real comfort and satisfaction to the soldier or sailor who is on the move to distant and foreign parts to leave his affairs in charge of competent and experienced trust officers.

It is refreshing and heartening to bankers to have repeated acknowledgments on the part of such high governmental officials as the Secretary of the Treasury of the notable and whole-hearted efforts of banking to serve the Government in its war needs. Particularly gratifying is the expression of President Roosevelt in a letter to the president of the American Bankers Association in which he describes one of the war services of banks as "indispensable."

I think that as bankers we have been too modest in telling the public just how important banking operations are in the prosecution of the war effort. It is not that we want any particular credit for a patriotic endeavor, but we do want the public to realize the value to the war

program of the job we are doing.

There are practical reasons for this: One is that banking wants full public support of its efforts. Such support is the best guarantee of the future of chartered banking in America. In the second place, we want government to recognize

(CONTINUED ON PAGE 158)

American Bankers Association, President, Bank of Hartsville (S. C.), store manager, publisher and enthusiastic farmer—A. L. M. WIGGINS

Second Vice-president,

WITHIN the space prescribed here, I can discuss only three of the more important current issues in Washington affecting banking.

Of far-reaching importance to chartered banking is the question of the value of banking services to the national economy, particularly in the war effort. To what extent are banking services essential? Can the productive effort of this country be employed effectively in the prosecution of the war without the financial services of the chartered banking system? My answer is that such services are essential to the national life in peacetime and are indispensable in wartime. The disconcerting fact is that many people do not appreciate nor properly evaluate the services rendered by banks. Under the urgent necessity of the war effort, production has become the god of our destiny and all else is considered relatively unimportant. The public fails to realize that maximum productive effort requires the continuing invigorating flow of financial life blood.

The part being played by chartered banking in the war effort has raised to new heights the value and importance of the services of banking. Our task as bankers is to continue to multiply the value of these services and at the same time, to see to it that the public and that the Government recognize the importance and value of the services rendered.

Banking was an early volunteer in the war effort. It promptly recognized the national need for a whole-hearted, all-out effort. Prior to Pearl Harbor, the banking system mobilized its resources and promptly made available far in advance of actual needs ample credits for agricultural and industrial production. Early this year, when the program of industrial production was vastly increased, bankers recognized a possible bottle-neck of credit for multiplying war facilities and promptly co-

operated in a program which resulted in a presidential order that brought about Regulation V credits through the Federal Reserve System. According to Chairman Nelson of the WPB, banks handled \$450,000,000 of Regulation V loans in the first four months after they were authorized. Several times



## ROUNDTABLES

on

WARTIME PROBLEMS



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aged-or destroyed-facsimiles can be reproduced photographically from the unharmed duplicate film record.

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One of a series on RECORDAK wartime safety contributions

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## A WARTIME INVESTMENT POLICY

S THE financial needs of the Government grow, holdings of government obligations by the banks are bound to increase. It has been estimated that during the present fiscal year the banks may be called upon to absorb between 25 and 30 billion dollars of newly issued governments. The banking institutions throughout the country must therefore adopt an investment policy coordinated to the present needs of the Government.

Such a policy divides itself into two parts, both aiming at the same objective. The one deals with the purchase of new securities to be offered by the Government, while the other concerns itself with the management of the present portfolio.

THE broad investment policy of a bank should be based on the following principles: (1) safety, (2) liquidity to meet possible withdrawals of deposits, and (3) maintainance of satisfactory

Safety: United States Government obligations are the safest securities available in the country. The holders of these obligations are certain that they will be paid promptly, principal and interest when due. The only risk attached to government securities is that they are subject to fluctuation. The longer the maturity of an obligation, the greater is the risk of price fluctuation. In this respect, however, certain factors should be considered; namely, (1) that during the war, and for some time thereafter, the money market will be entirely dominated by the needs of the Treasury and that the monetary authorities have the power to keep money rates at any level they may desire; (2) a repetition in the government bond market of what happened during 1920 when the Liberty Bonds witnessed a sharp decline is not to be expected, and (3) a repetition of the decline in government bond prices, as occurred during the banking panic, under present conditions, is impossible. Hence, while it cannot be denied that the risk of price fluctuation does exist in long-term government bonds, these fluctuations can and probably will be on only a moderate scale.

Liquidity: The increase in the holdings of government securities by the banks will be accompanied by a corresponding rise in the volume of deposits. A general decrease in deposits

Popular convention speaker on banking and economics, professor of finance at New York University and consulting economist of the Central Hanover Bank and Trust Company, New York City Dr. MARCUS NADLER



in loans, a sharp increase in the volume of currency, and the liquidation of a large amount of securities held by banks. None of these developments on any considerable scale is to be expected. A reduction in the volume of deposits can also take place if the refunding operations, carried out by the Government after the war, are intended to transfer obligations held by the banks to ultimate investors. If this is not done, and it is doubtful whether it can be accomplished on a large scale, then the volume of deposits is bound to remain large for a considerable period. There is, however, a possibility that some sections of the country may lose deposits after the war. Banks located in communities which have greatly benefited from the war effort will find their deposits increasing at a more rapid pace than others located in sections not favorably affected by the war. Part of these deposits may be lost to other sections after the war, when the national economy assumes a more normal character.

SIMILARLY, the sharp increase in income of the farmers will cause a material increase in deposits in certain farm communities, since during the war they will not be able to purchase durable consumer goods as well as farm equipment to the same extent as before. After the war when these commodities can be caused by a wholesale reduction again become available their acquisi-

tion by the farmers is bound to lead to an outflow of deposits.

An institution which maintains a portion of its assets in liquid form, i.e., in short-term government obligations, will be in a position to meet this outflow of deposits without being forced to sell medium- or longer-term government obligations which are subject to price fluctuations.

CURTHERMORE, since the increase in the volume of deposits will not be accompanied by a corresponding increase in capital, surplus and undivided profits, it is clear that the ratio of capital accounts to deposits, which is already lower than before, will decrease rapidly. The capital of a bank is intended as a cushion against potential losses on its earning assets. Since short-term government obligations carry no risk whatsoever, no cushion is necessary against them. Hence, the smaller the ratio of the capital accounts of an institution to deposits the greater will be the incentive on the part of the banks to keep part of their earning assets in liquid

Maintenance of earnings: The earnings of the banks will be derived more and more from investments since the volume of loans, particularly of the smaller institutions, may decrease. Loans made for the purpose of financing durable consumer goods may disappear entirely within a reasonably short period of time. It is also likely that loans made for the purpose of enabling merchants to carry consumer goods inventories will be reduced as the volume of inventories is gradually curtailed.

Since the earnings of the banks will depend more and more on investments, their investment policy should be so formulated as to assure the individual institutions sufficient earnings not merely to meet overhead expenditures and to pay dividends but also to accumulate a moderate amount of surplus. Since the Government is offering short-term as well as medium-term obligations, banks are in a position to adopt an investment policy which would assure them the greatest degree of safety combined with a fair degree of liquidity, as well as moderate earnings.

It is impossible to lay down any hard and fast rule which would suit the investment needs of all institutions, since each bank is confronted with different problems which it must solve in the manner best suited to its own needs. But in the main, the investment policy of an individual bank should be based on the following considerations:

(1) Composition of the deposits, i.e., time deposits versus demand deposits. Furthermore, a bank must also take into consideration what proportion of its deposits is vulnerable and subject to immediate withdrawal. The swing in deposits, i.e., the amount of deposits that an individual bank may lose within a relatively short period of time also must be taken into consideration.

(2) Composition of the existing assets must be carefully analyzed before a definite investment policy can be adopted. It is obvious that the investment policy of a bank whose assets consist to a considerable extent of mortgages and other long-term commitments will be different from that of a bank whose assets are composed primarily of short- and medium-term government bonds.

(3) Ratio of capital to total earning assets will also play an important role in determining the investment policy of a bank. An institution whose ratio is small naturally will be hesitant to acquire assets subject to risk or wide fluctuations. On the other hand, an institution whose capital resources are large in proportion to its earning assets is in a better position to acquire longer-term government securities subject to price fluctuations.

Furthermore, the investment policies of a bank will also in part be determined by its size and location, since the



investment problem of an institution located in the money market center differs materially from that of an institution located in a small rural community. For the purpose of the present study, the investment policies of banks may be divided into the traditional classifications; namely, central reserve banks, reserve city banks, and others.

The investment problems of the institutions in the different categories become apparent from an analysis of the composition of their deposits, as may be seen from the table below.

Whereas time deposits of the central reserve city member banks represent less than 6 per cent of their total deposits, they aggregate 21 per cent in the case of reserve city member banks, and almost 36 per cent in the case of country banks. Since interest is being paid on time deposits and the rate as a rule is higher in the reserve and country districts than in central reserve cities, it is evident that the investments of the reserve city, and particularly of the country, banks must carry a higher re-

turn. The central reserve city banks must also take into consideration the fact that they are bankers' banks and that, therefore, their daily swing in deposits percentagewise is bound to be greater than that of banks located in smaller localities. Central reserve cities therefore, have endeavored to hold a considerable proportion of their total government securities in shorter-term obligations. In fact, at the end of December 1941, of the total government holdings of New York City member banks, including direct and indirect obligations, 50 per cent consisted of bonds. 22 per cent of notes, and 4 per cent of bills. On the other hand, of the total direct and guaranteed obligations held by the country banks, 67 per cent consisted of bonds. The banks in the central reserve cities will continue the same

The problems that confront reserve city banks are approximately the same as those confronting the banks located in the large financial centers. However, since their volume of time deposits is larger and since their deposits are not subject to the same swings, they are in a position to buy a larger amount of medium-term obligations.

BOTH types of institutions should endeavor to diversify their government holdings with maturities of one to ten years. The banks in the central reserve cities will lay more emphasis on the shorter maturities while those in the reserve cities can absorb a larger amount of longer maturities. In each case the percentage of longer or shorter maturities will depend on the position of the individual institution and on the amount of earnings desired by the management.

The country banks of necessity will buy a larger percentage of longer-term maturities. Based on the type of securities outstanding now, these institutions would be well advised to diversify their maturities from one to twelve years with a return ranging from three-eighths of 1

(CONTINUED ON PAGE 38)

#### Composition of Deposits of All Member Banks

April 4, 1942

	1911 1, 1712			
	All mem- ber banks	Central reserve city mem- ber banks	Reserve city mem- ber banks	Country member banks
Total deposits.		21,519,704	22,240,056	17,252,843 11,101,519
Demand deposits	. 48,925,910	20,283,018	17,541,379	
Per cent of total	. 80.2	94.3	78.9	64.3
Time deposits	12,086,687	1,236,686	4,698,677	6,151,324
Per cent of total	19.8	5.7	21.1	35.7

#### Ratio of Capital Accounts To Total Deposits

reacto of Capital	2 8 0 0 0 1 1 1 1 1 1 1	IO LOULI	Popula	
	All mem- ber banks	Central reserve city mem- ber banks	Reserve city mem- ber banks	Country member banks
Total deposits	61,012,603	21,519,704	22,240,056	17,252,843
Total capital accounts	5,929,558	1,943,813	1,980,953	2,004,792
Per cent of total	9.7	9.0	8.9	11.6



This current Chase advertisement publicizes a timely commercial banking service.

# A NEW WAY TO SIMPLIFY WAR CONTRACT FINANCING

\* \* \* \*

# The Domestic Letter of Credit

If the unusual, pressing conditions of today are such that your company is transacting business with concerns which may be little known to you, you can save time, speed your war production and eliminate many troublesome credit problems by using *Domestic Letters of Credit*.

Those in the import and export trade know how vital the Commercial Letter of Credit is to the conduct of their business; its use as a domestic instrument is less understood. But this method of arranging for payment between buyer and seller has specific advantages to both parties when days and even hours are so important. You eliminate protracted, and often repeated, credit investigations. Transactions may be quickly consummated. Payment is made promptly by the bank when the seller delivers the required documents with the Letter of Credit. And, to qualified concerns, a Domestic Letter of Credit offers other



#### To the Buyer

ADVANTAGES

To the Seller



- You obtain immediate consideration from possible suppliers because they are assured of prompt payment.
- You can often buy advantageously because purchases are made on a cash basis.
- You have all the advantages of buying for cash without reducing your bank balance until delivery is made.
- Using a Domestic Letter of Credit is simple and the cost is moderate.
- You may request that buyers obtain a Domestic Letter of Credit and eliminate much checking and investigating.
- A confirmed bank Letter of Credit protects you against cancellation of an order.
- You have financial security, as possession of the buyer's Letter of Credit assures prompt payment.
- You strengthen your financial position with your bank if you possess a Letter of Credit prior to delivery of, and payment for, your product.

ESTABLISHED concerns are cordially invited to find out how a Domestic Letter of Credit can contribute importantly to simplifying and speeding their business operations. Sound, credit-worthy enterprises in the New York Metropolitan area may inquire directly of the Chase; out-of-town firms through Chase correspondent banks in their communities.

## THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Member Federal Deposit Insurance Corporation

#### INVESTMENT POLICY

(CONTINUED FROM PAGE 36)

per cent to 21/4 per cent. This statement does not imply that institutions should not hold longer maturities. However, since the difference in yield between a 12-year maturity and a 25-year maturity is relatively small it is doubtful whether banks would reach out for the longer maturities. Furthermore, thus far the Treasury has offered to the banks medium-term obligations and has relied on insurance companies and savings banks to absorb the obligations with a maturity of over 12 years.

The amount to be invested in each maturity will depend on the type of deposits of an individual bank and upon the composition of its assets. Institutions operating with time deposits and whose assets consist only to a small extent of mortgages may invest a larger proportion in longer term obligations. A carefully thought through policy of maturity distribution offers a high degree of liquidity combined with safety and satisfactory earnings.

The shorter maturities can be converted into cash without any loss and thus afford a high degree of liquidity. The longer maturities while subject to moderate fluctuations offer a satisfactory return.

The war period should be utilized by the banks to put their assets in as strong a position as possible. A sound portfolio is always advisable but has never been so necessary as at present when the future is so uncertain and when the ratio of capital accounts to earning assets is decreasing at a rapid rate. As a rule banks should invest only in high-grade obligations.

In this connection the question often arises as to whether they should buy AAA corporate bonds or government obligations. As a general rule one may state that the best AAA corporates should yield at least one-half of 1 per cent more than government bonds with a comparable maturity. There is no credit risk attached to the latter, they are eligible for discount at the Reserve banks (at present at par) and thus can readily be converted into cash. Furthermore, as is well known, the government bond market in periods of stress is supported by the Federal Reserve authorities whose open market operations have been in part directed toward keeping government securities orderly.

Medium-grade bonds should never have a place in a bank's portfolio. It would, however, be inadvisable to liqui-

date them entirely without analysis. Medium-grade obligations of those corporations whose credit position has improved as a result of the war and whose outlook for the future is satisfactory should be kept for now.

Banks hold considerable amounts of mortgages as well as real estate. Real estate obviously is not a satisfactory bank asset and should be liquidated as fast as is possible. As regards mortgages, the increased national income should be utilized by the financial institutions to accelerate the amortization. Such a measure, on the one hand, strengthens the mortgage and, on the other, reduces purchasing power, thus counteracting the forces of inflation. FHA mortgages in moderate amounts. properly serviced, are satisfactory investments for banks, particularly those operating with savings deposits.

Banks also could during the present period readjust their government holdings to obtain the desired maturity distribution. Before deciding on a definite investment policy the management of each bank should ask itself the question: "In what position should my institution be when the war is over?" A bank will find itself in a very favorable position after the war if its earning assets are composed of sound loans, government securities well distributed as to maturity, other high-grade obligations to which there is very little or no credit risk attached. The smaller institutions, particularly those which have time deposits, may add a well selected list of mortgages properly amortized and FHA mortgages. An institution which adopts its policy along these lines will be in a position not merely to meet any emergency that may arise in the future but will be in a position to finance the legitimate needs of its customers.

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SOME PICTURES OF THE YEAR 1. PEARL HARBOR—the Arizona is sunk by a Japanese bomb, December 7



Although every effort is being made to finance the deficit of the Government through the sale of War Bonds to ultimate investors, the banks will be called upon to absorb a huge amount of government securities. The existing excess reserve balances and those that will be created by the Reserve authorities through open market operations or through the lowering of the reserve requirements, will enable the banks to meet all the needs of the Treasury at about the prevailing rates of interest. Government securities are the safest assets a bank can acquire, and the only risk attached to them is that they are subject to fluctuations. These are bound to be only moderate in character, however, during the war and for a considerable period after.

The acquisition of government securities by the banks should follow a definite policy based on a careful study of the composition of the assets and liabilities of each institution. A sound investment policy requires that a bank be able to meet the withdrawal of a certain amount of its deposits without being forced to sell medium—or long-term obligations. This can be achieved by spreading the maturities over a period of several years.

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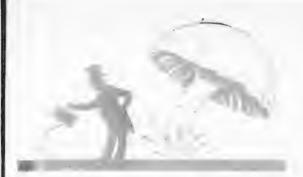
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THE increase in investments will be accompanied by a corresponding rise in deposits and by a reduction in the ratio of capital accounts to earning assets. The smaller this ratio is, the greater is the necessity to improve the quality of the existing assets. A bank should never sacrifice quality for a high return and those assets considered unsuitable for bank investments should be gradually liquidated. The sale of such assets, bonds as well as real estate, to ultimate investors is now more desirable than ever, because in addition to strengthening the banks it leads to a reduction in deposits.

The war will bring in its wake great economic and social changes. It has already increased the productive capacity of the country, stimulated the production of new materials and caused great dislocations in industry and trade. A strong banking system is a prerequisite to a sound national economy. The assets of the banks are already sounder than perhaps ever before, and are constantly being improved. This will enable them not merely to meet any emergency that may arise but also to assist in the conversion of our industries to peacetime production after the war and to finance the huge volume of production and consumption of civilian goods that we may rightfully expect to take place, once law and order prevail in the world.



## INFLATION'S IMPACT ON BANKING

President of The First National Bank. Cape Girardeau, Missouri, and past president, Missouri Bankers Association - C. D. HARRIS

T is not my intention, nor am I capable of entering into a profound discussion of the causes of inflation. I am interested in considering only the impact of inflation on banking.

At the present time our economic stability is threatened by the inflation brought about by the acceleration of our industrial machine in preparation first for defense and now for carrying on the war. Inflation is no longer just a threat, it is a reality. Many do not realize the extent to which it has already progressed.

Most of us who are managing banks today were in the banking business during the first World War and can remember how prices of farm products increased steadily and continuously until corn was selling at \$2 per bushel; wheat at \$3; hogs at 18 cents per pound and prime steers at 20 cents. As a consequence of these high prices, the prices paid for farm land almost doubled during the World War period. Most of us can also remember that in the short space of 10 months from August 1920 to June 1921 prices of farm commodities tumbled precipitately. The price of hogs and cattle fell to four cents per pound in this brief period. Everyone remembers the effect of this deflation period on banks in agricultural states. From 1921 to 1927 more than half of the banks in agricultural states had closed.

MANY are now asking the question whether the stage is being set for a repetition of what happened during and following World War I. Will land prices again respond to the spectacular rise that is taking place in the price of farm commodities?

It may be possible to minimize inflation if drastic enough steps are taken in time. But regardless of all the safeguards that are thrown around us, we must still expect inflation to a lesser or greater extent, followed by deflation.

Certainly there is no better way to forestall inflation than through taxation and a wide distribution of War Savings (2) We can discourage our customers

Bonds. If it were possible to divert all the extra income that will be made available because of the war program into taxes, and into investment in government securities, inflation could be greatly minimized. In other words, the profits arising from our war effort would go a long way toward financing the cost of the war itself if all who receive an increase in income because of the war, whether employer or employee, applied all this increase to paving for the war.

I know of no business that suffers more from inflation than does banking. Or rather I should say from the period of deflation which inevitably follows inflation. It is the greatest danger that banking has to contend with. This is true for the reason that banks lend against values—values measured in terms of prices. The danger lies in that we bankers forget that prices which exist today will not exist a year from now. We are too prone to accept existing conditions as permanent. We bankers have been notoriously poor economists. Most of us are not students of economics and know little of the history of prices. Too many of us have gone into the banking business for some other reason than because we were men of foresight, good judgment, and

Shall we cease making loans because we are in a period of high price levels? The answer is "No." We must continue to do business in order to make enough profits to pay at least our operating expenses. But we can raise our margin requirements. If we loaned up to threefourths the value of cattle when prime steers were selling at eight cents per pound, we can perhaps loan one-half or less of their present price.

What part can we as bankers play in preventing, or at least in minimizing, inflation?

- (1) First of all, we can avoid making loans that tend toward inflation.



from making wild and unnecessary investments, such as mortgaging the home farm to buy the farm adjoining it, as was done during the first World War, only to lose both.

- In making loans, we can keep in mind how each individual loan will he affected when deflation sets in. If we make each individual loan on a sound basis, we need not worry about the aggregate.
- (4) Take advantage of present favorable conditions to eliminate undesirable loans and other undesirable assets.
- (5) Pursue a conservative policy in paying dividends, to the end that we may build up reserves sufficiently large to meet the evil days that are sure to fall upon us.
- Banks should endeavor to place themselves in such sound condition that they will not need to call upon government agencies for help.

IF banks will observe these practices, there is ample reason for believing that the banks of this country will be able to take the next deflation period in much better stride than they did the last two major depressions. Banks have never been in better condition. The fact that we are being so thoroughly educated to the dangers of inflation may go a long way toward minimizing it.

Best of all, most banks today are under capable management.

## THE EARNINGS OUTLOOK



## A Chance for Resourcefulness

mercial National Bank, Little Rock, can do about it. The volume of ordinary Arkansas-W. A. McDONNELL



At first thought it would seem that the most cheerful statement that can be made on this subject is that bank earnings are better-better than next year. With commercial loans declining, with the number of restrictions and regulations and required reports mounting, with the personnel problem becoming daily more acute, with the investment market rapidly becoming simply a government bond market, and, finally, with taxes and other fixed costs rising, we are in for some rough sledding from an earnings standpoint. In fact, it would appear that for the duration of the war banking is caught between rising costs and declining income, and that there is nothing we can do about it.

The way out is the obvious one: increase income or reduce expenses. It can't be done? As a matter of fact many resourceful bankers are doing that very thing right now.

First, the income side. To begin with, there is no need to worry about those conditions over which we have no control. Interest rates, for instance, are low; they are going to remain low for mercial banks are becoming service in-

Executive Vice-president, The Com- the duration and there is nothing we commercial loans is declining and will continue to decline if the Government's program of controlling prices continues effective. We would not change that trend if we could, because no sensible banker wants runaway inflation.

> In the field of war production loans, however, the situation is different and presents an opportunity for earnings to bankers in many localities. The Government is anxious that commercial banking finance as much of such production as it will, and by Regulation V it has made it possible for banks to have the risk shared where circumstances warrant. Many banks are replacing dwindling commercial loans with war production loans, thus protecting their earnings and contributing directly to the war effort. Unfortunately, however, such loans are not available to thousands of small banks, and although some may be overlooking the opportunity of creating loans by assisting customers owning small plant facilities in obtaining war production work, the fact remains that many are in areas where no such opportunities exist. What about their outlook for earnings?

OF course, there are government bonds, and it looks like there will be plenty to go around. The medium maturity issues being offered are designed especially for commercial banks, and, aside from the consideration of aiding the war effort, most banks are in a position to invest heavily in them without undue risk. The fact remains, nevertheless, that for the average sized bank 2 per cent taxable income is a rather meager diet.

The extension of credit, however, does not constitute the sole function of commercial banking. More and more under the existing war economy com-

stitutions. Service charges now being applied by most banks were based on earning rates and cost factors which no longer exist. Obviously they should be changed to conform to new conditions. Working through the medium of the clearinghouse, either city or regional, every bank should immediately revise upward its service charges. In doing so, the methods of computation should be streamlined as much as possible so as to alleviate the personnel problem. There should be no reluctance to do this, since it has the official blessing of no less a governmental authority than Marriner

And let us not overlook the possibilities in the field of trusts presented by present conditions. All forms of taxes pertaining to the individual, especially Federal estate, gift, and income taxes, are not only going up but are also becoming more complex. Never before has intelligent estate planning been so imperative for persons with wealth. Never before has the corporate fiduciary had such an opportunity for real service.

Now, how about the expense side of the earnings problem? The biggest item of expense, of course, is salaries, and there isn't much we can do about it. Reductions in salary scales at this time are unwise because of the competition for personnel by war industries and governmental agencies, and unfair to employees because of the rising cost of living. As the volume of certain phases of our business declines, however, less personnel is required to handle it, and there is an opportunity for saving by shifting of personnel to other departments to fill gaps caused by the drain of enlistments and selective service.

The greatest opportunity for reducing expenses, however, lies in the field of operations. Bankers as a class are prone to continue to do things in the traditional way. Now is the time for us to review carefully and critically every

operation. Simply because a thing has always been done in a certain way is no proof that that method is the best and is the one we can afford to employ now.

The scope of this article does not permit much more than generalities. The thought to keep in mind is that there has always been a great amount of inefficiency in commercial banking caused by peak loads. Anything that will spread or shorten the peaks will reduce expenses. The staggering of monthly statements and the returning of N. G. checks (especially those under \$500) the following morning, are examples. Incidentally, the American Bankers Association Bank Management Commission manual, "Simplified Banking Forms and Procedure," is replete with operating suggestions which save time and money.

Old-fashioned thrift and frugality have at long last regained prestige and dignity again. The theory of spending yourself into prosperity is no longer the cry of the hour. Bankers are no longer expected to do things "high, wide, and

handsome." We can be frugal, and we will be applauded rather than derided for it.

Banking is made up largely of a multitude of little things. Enough little economies such as careful use of postage, stationery, supplies and utilities, will add to a big savings. Frugality is no longer just a pious concept; it has become an economic wartime necessity.

Another expense item which might well be reviewed is interest on time deposits. This thought needs no amplification.

To sum up: We are at war and we can't expect business as usual. The impact of this war on commercial banking will be great; a lot of traditions are going out of the window. Earnings are going to decline unless we meet our problems with resourcefulness. For those banks, however, which keep flexible to changing conditions and alert for new ideas and methods, the outlook for earnings is not so bad, after all.

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Traditionally, bankers have prided themselves most on deposit volume. While this is a perfectly human tendency, it would seem that under present conditions the emphasis might well be placed elsewhere. Certainly the cost of obtaining deposits should be decreased at a time when additional deposits cannot be usefully employed and only add to the bill for deposit insurance. Banking publications are constantly presenting the relative standing of banks as to size. There has yet to appear a rating list of those banks which are doing the best job for their stockholders. The true criterion of bank management is not deposit volume, but the percentage of net return on invested capital. Furthermore, helping to win the war is not necessarily inconsistent with earning dividends.

## **New Income Opportunities**

Vice-president and Cashier, American Trust Company, San Francisco—E. V. KRICK



The simple equation, gross income—
(expenses + losses) = net earnings, incorporates probably the major problem
confronting banking today. An accelerating squeeze is taking place—income is declining and expenses are
increasing. An all-out war effort on top
of a changing social and economic order
adds to complexity of the situation.

Free men in the war effort are proving their superiority. Institutions in a reduced to 13 cents. Taking all these republic such as ours must continue to factors into consideration the banks of prove their worth. The problem facing

banking is more than just attempting to maintain a safe earning position. It is to do that and also to give the country the best possible type of banking facilities. A successful war effort rests upon a stable civilian economy. The challenge appears in giving the maximum aid to the war effort, in servicing the banking needs of additional millions of people who have now come into the realm of needing banking service and yet earn enough to assure stability.

THE main part of bank income is "interest income." Reports of the Federal Deposit Insurance Corporation indicate that for the insured banks of the country, in 1939 \$2.24 was earned on each \$100 of deposits; in 1940 \$2 was earned; and a recent press release indicates that in 1941 \$1.96 was earned. Loan volume will show no growth and may even decline during the next year. Undoubtedly deposits will increase materially; short-term interest rates may stiffen. Even the employment of these increased deposits in short-term investments will not be apt to offset declining interest income. In 1939 for each \$100 of deposits the margin between interest income and current operating expense was 18 cents; in 1940 this spread was reduced to 13 cents. Taking all these factors into consideration the banks of

this problem of declining income and increasing expenses. The solution (and there must be one) lies not in one particular activity but in several, some of which are:

- 1. Reducing interest rates paid.
- 2. Cutting operating costs by
  - a. Curtailing service which if essential is not thinkable;
- b. Simplifying operating methods.
   3. Applying charges for service which will reimburse costs to the bank and provide a reasonable profit.
- 4. Provide new types of service at proper charges.

KEDUCING interest paid is a problem by itself. The amount of interest paid should rest upon the ability to make a profit from the use of such funds. While there is a certain responsibility on the part of banks to provide banking facilities for the small depositor, yet the larger depositors should not be penalized unduly because of this. Involved also in this question is that of the character of funds offered for deposit subject to interest. It is hardly consistent to offer 1/4 of 1 per cent or 1/2 of 1 per cent for time open accounts on six months' notice, and then turn around and pay 1 per cent or 11/2 per cent on savings deposits which may only be



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## **New Income Opportunities**

(CONTINUED FROM PAGE 41)

hank, or the banks in each community, must determine.

Cutting operating cost by curtailing banking service where it is definitely aiding the promotion of the war effort or is necessary in the operation of our economy is unthinkable. Yet, in these times of sacrifice for the general good there may be ways of restricting service which would in no way interfere with these major objectives. In the larger banks a review, especially of all nonoperating departments and of free service departments such as public lounge rooms, information departments, and even janitor work, is quite apt to bring results. In the smaller banks the opportunity for such savings is more remote.

In the simplification of operating methods there appears a real opportunity. One difficulty, however, is that precedent is a great impediment to progress. An open-minded approach to all banking procedure should be made. An effective way is to assign one or more individuals to the job of streamlining operations. The quickest and most satisfactory results can be obtained where such people have no responsibilities, other than the particular task assigned to them. Here are some of the things that are being tried: (1) Change time and reduce the number of

temporary. Undoubtedly the rate-of- clearinghouse exchanges; (2) defer the interest-paid problem is one which each exchange of reclamations; (3) eliminate the use of deposit tickets and withdrawal receipts for savings accounts; (4) eliminate in some cases the use of passbooks; (5) direct active savings accounts into commercial accounts; (6) promote banking by mail; (7) level peak loads; (8) stagger pay days of payroll accounts; (9) influence larger depositors to deposit in the morning instead of in the afternoon: (10) close off individual commercial statements a few days before the end of the month: and (11) reassign responsibility to stimulate more direct decisions.

> The application of charges for service rendered offers possibly the greatest field for increasing income. A primary fundamental in this regard is "know your costs." Cost accounting in banking today is no longer something that may be toved with: it is a necessity. Banks owe it to their stockholders and to the public to be reasonably accurate in their cost figures. While many banks apply charges with allowance for reasonable profits, many of them are seemingly quite content to accept reimbursement of costs only. The American Bankers Association and various state associations have done an excellent piece of work in providing recommendations for many types of service charges. It remains, however, for each bank to study its own operations and

anning. affix charges that are justifiable. A review of loss business and of non-productive service in all banks will furnish ample opportunity for the promotion of this activity. Banks generally have been very slow to revise upward their schedule of charges. As a matter of fact many banks today are predicating their service charges on cost figures that were obtained 10 or 15 years ago.

PERHAPS the rental of safe deposit boxes and storage space offers as good an illustration as any where there has been no particular revision upward of charges. A review of deposit facilities, rental charges, and frequency of access offers one of many opportunities.

Banking requirements of the public have changed in the last two decades. Living standards have improved, habits of people are different, transportation facilities have brought communities closer together. All in all, habits and customs are changing rapidly. New types of banking service are needed and in some communities are being supplied. Illustrations are to be found in the bank money order, the registered check, the selling of check books, the enlargement of storage facilities to provide for records and daily access, new types of accounts. As new types of service are installed, cost estimates should be made.

Other lines are adjusting themselves to changing conditions—assuredly some part of the mantle of American ingenuity rests upon the bankers.

## Ten Fundamentals

.1ssistant Vice-president, The First National Bank. Chicago-HERBERT V. PROCHNOW



Today we live in one of those intense hours of history in which the world seems impatient to crowd the changes of a century into a decade. Vast and confusing as were the pressing problems of the 1930's, one may suspect that the decade beginning with 1940 will present bankers with responsibilities of even greater magnitude.

One thing is certain, the direction of our thinking now must be dictated by two primary objectives: first, how can bankers assist in the winning of a war that seems destined to change so significantly every nation in the world; and, second, how can bankers operate their institutions so that when the war is over the banks may take a major part in reconstructing our economy? A consideration of these objectives indicates that there are at least 10 practical fundamentals to be observed in wartime:

#### 1. Maintain a flexible and competent staff of employees

The longer the duration of the war. the greater will be the loss of trained personnel to the armed forces. Every employee should be trained in one or more jobs in addition to his own. In other words, every position should be covered by two or more employees.

#### 2. Increase operating efficiency

With a fairly long war and a progressively greater shortage in persons available for employment, it is evident that operating efficiency must be increased. The inability to employ adequate personnel may necessitate each employee taking over more work. This can be accomplished by greater efficiency on present jobs.

#### 3. Analyze costs and services to maintain profitable operation

In 1931, over 58 per cent of the gross earnings of our national banks (which may be considered typical of all banks) represented earnings from loans and discounts; in 1941, the figure was reduced to 48.7 per cent. In 1931, 24.5 per cent of the gross earnings came from securities; in 1941, 32 per cent. In the same period, interest rates were steadily declining, the average yield on United States Government obligations decreasing approximately 33 per cent. In that decade, also, service charges on deposit accounts increased from 1.6 per cent of the gross earnings to 4.8 per cent. The latter percentage is small, but every additional 1 per cent of such income in relation to the capital stock is very important.

Some banks now show as high as 10 to 20 per cent of their gross earnings in service charges. These charges are a necessity in the sound operation of banks whose local loans decreased greatly in the last decade. Moreover, in and democracy in the United States. many communities today substantially increased farm and industrial income is resulting in the retirement of loans. Bankers may thus find it necessary to reëxamine their service charges, including those for handling checking and savings accounts, issuing drafts and cashier's checks, collecting all types of items, making telegraphic payments of money, safekeeping securities, stopping payments, returning items, paying overdrafts, and rendering other services for which banks may fairly ask reimbursement. The booklet of the American Bankers Association on the 100 per cent or complete analysis plan for checking accounts is recommended.

### 4. Conserve earnings and build up

To the extent that earnings permit, wisdom dictates the building of strong internal reserves. A period of great world economic change and transition carries with it the possibility of some unanticipated losses.

#### 5. Strengthen customer relationships

The war finally will end, and the banker who has strengthened his relationships with his customers and assisted them constructively in handling their present difficult war problems is

certain to be in an advantageous position later. There are, for example, agricultural sections today in which it is said government agencies have over 90 per cent of the non-real estate agricultural loans. Some of these loans are, of course, not bankable. However, in some sections, bankers who aggressively worked with farmers to develop local agricultural conditions have maintained their loan positions relatively well and have reduced government competition.

#### 6. Urge the public to save

In some instances, bankers have been short sighted in recent years in not urging the building of savings accounts by the public. The inability to obtain adequate earnings on these accounts has been the customary reason given for this attitude. Actually, however, the failure to promote savings more aggressively would seem to reflect a lack of understanding of the significant role of savings in banking and in the economic progress of a nation.

There is no means by which a people can escape the necessity for thrift. It is through the medium of saving that a nation creates the instruments of capital, such as machinery, hydroelectric plants and factories. Economic progress and thrift are as inseparable as liberty

There are approximately 47 million savings accounts. It is through these savings accounts that many banks have their principal financial relationships with the people in their communities. A public responsibility of such vast proportions is one which needs constant cultivation and encouragement, for here in no small sense the hopes and fortunes of multiplied thousands of men and women have been placed in the banker's

#### 

No. 2--CORREGIDOR. A view from the famous fortress looking toward Bataan Peninsula, Here the American troops made their famous stand against the Japanese



7. Work cooperatively through the American Bankers Association and state associations to improve operating procedures

By exchanging experiences with other banks, inefficiencies can be eliminated and weak points in operating procedures can be improved. By mutual cooperation more uniform cost accounting systems can be developed so that banks in various sized classifications can measure their operating efficiency. In some states, such as Ohio, the bankers associations have made commendable studies in this field.

#### 8. Examine all financial and economic proposals in the light of experience and fact

The rapid and far-reaching readjustments which accompany war and postwar periods invariably bring conflicting proposals for changes in our financial and economic systems. Confronted by these proposals, it is not sufficient simply to insist on a dogmatic adherence to what may be antiquated doctrines. Nor, on the other hand, can a banker blindly acquiesce in obviously unsound theories and experiments. There is always a sound middle ground between rank reaction and rank radicalism. From the breadth of his financial relationships with all kinds of industry and business. and from the wide variety of economic problems which confront him, the banker is in a position to bring balanced judgment and clear thinking to each new proposal.

#### 9. Promote the sale of government securities to the public

For reasons with which every banker is thoroughly familiar, it is imperative that he lend full support to all activities which assist in the sale to the public of United States Government obligations for the financing of the war. Thus, he will help to assure a sound financial structure now and in the future.

#### 10. Use every opportunity to present to the public the proper functions of our banking system in the nation's life

To the extent that men and women understand the operation of our banking system, it will have widespread public support and will be free from those vexatious problems which would be disadvantageous to its sound and proper functioning. More than ever, in the years to come, the processes of banking and business will be assessed and evaluated in terms of public service.

## War of Survival

This is a war of survival ... to win it, the entire Nation is closing ranks behind the war effort. Industry is winning the fight against time by all-out speed in converting production to war demands. The banks are keeping pace ... gearing their services to the war-time requirements of Government and of industry.

Credit in ample volume at low cost aids industry in quickly adjusting operations to current needs. Production loans to contractors and sub-contractors, made in conjunction with the Government, expedite maximum output.

Individually, and through cooperative effort, the banks are constantly adapting their services to meet unprecedented demands...doing their utmost to help speed the total war effort.

This Bank joins the other banks of the Nation in pledging cooperation to the Government and to industry in the primary job of fighting this war to victory.

## BANKERS TRUST COMPANY

**NEW YORK** 



Member of Federal Deposit Insurance Corporation

## CREDIT PROBLEMS IN WARTIME



## Credit for Service Men

President, Security Savings & Commercourt that the defendant is not in the to pay, the obligee should first ascertain cial Bank, Washington-F. G. ADDI- military service, etc. If in the military



BILL to amend the Soldiers' and A Sailors' Civil Relief Act (H.R. 7164) has passed the House and at the time this is written awaits action by the Senate.

With the present and future needs of expanding our military forces and with the draft act now making all male residents between the ages of 20 and 45 liable for military service, it is necessary to realize that possibly one out of every six men within this age group may be inducted into the military services and thereby be entitled to the benefits of the present act and to such amendments as may be hereafter enacted.

In giving consideration to the making of mortgage loans, or the extending of an existing mortgage, this law, of necessity, must be taken into consideration, because, no foreclosure of a person's mortgage can be had, during the continuance of this law, without taking the steps provided in Section 200, which requires that an affidavit be filed in

service, Section 302 gives the court the power to stay, postpone or suspend action during the mortgagor's military service, and Section 301 gives the same consideration to contracts of purchase or lease for either personal or real property. Where owner is stayed from action because tenant has been granted relief, he too can ask similar relief from his mortgagee.

It is to be noted that the benefits of these sections do not apply to contracts made after the mortgagor has entered military service. In the proposed amendments the benefits may be claimed by application to a court by a dependent of one in the military service (Section 306). There is no definition, however, of a dependent contained in the bill.

In making mortgage loans on business or other property it is necessary to give consideration to Section 304 (1 and 2), which provides that leases executed prior to entering military service may be terminated in approximately 30 days by notice in writing to lessor, and the lessor shall refund any advance rent, even though the lessor has a long lease and had built a specially designed building for lessee, and had, as a consideration precedent, required advance rent as a warranty. The right is given, however, to the lessor to apply to an appropriate court for such modification of the above as in the opinion of the court justice and equity may require under the circumstances

It is interesting to note that by Section 206 the proposed amendments undertake to reduce interest on any obligation of one in the military service, created prior to entry into such service, to 6 per cent, and it would seem that even if the obligor was willing and able

from a court if in the court's opinion the obligee's ability to pay is materially affected by such service.

Most sections of this act are directed toward staying the enforcement of any contract affected by one's military service; however, the above section undertakes to change a legal contract and not merely to stay an action to en-

When the present law was enacted, October 17, 1940, it was realized that it might retard necessary credit for those not expecting to enter military service and, therefore, Section 302 (1) expressly provided that none of the benefits should apply to obligations originating subsequent to date of approval of the law.

The proposed amendments to this section, however, would bring such obligations within the act and their enforcement could be stayed, etc., notwithstanding the above provision of the present law.

No sale, foreclosure, etc., for nonpayment of any sum, whether under a power of sale or under a judgment entered upon warrant of attorney to confess judgment shall be valid except upon an order previously granted by the court, except by Section 107 it is provided that by a written agreement after one's entry into military service consent to such sale, etc., may be given and acted upon.

It is permitted by Section 103 (4) to have comakers, guarantors, or sureties waive the benefits of these amendments; provided, after the enactment of the 1942 amendments such waiver is executed by an instrument separate from the obligation in respect of which it

## Loans for Soldiers and Sailors

Act of 1940 presented many problems to bankers, particularly with respect to consumer credit loans. However, the lending policy could still accommodate borrowers in the draft ages since the benefits of the act were not available in their entirety if the loan obligation was dated subsequent to the date of the relief act. Furthermore, there was some feeling that comakers could be currently held liable if the maker was inducted into service. Automobile financing and automobile loans could be continued without too much hazard since the collateral could be repossessed without court order if less than 50 per cent of the purchase price was paid when the borrower entered military service. Banks were most affected by reason of their holdings in outstanding consumer credit paper at the date of the act in 1940. Nothing could be done with these loans dated before October 25, 1940 if the makers entered military service before the loans were paid in full. These loans are now almost entirely paid and apparently few serious losses have resulted, probably because most inductees were either ignorant of the benefits of the act or were willing to work out some settlement with the

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The amendments to the Soldiers' and Sailors' Civil Relief Act in the hands of Congress, as this is written, will not permit bankers to treat this problem as outlined above. These amendments provide:

1. The benefits of the act are available to all who enter military service, irrespective of the date of the loan or of the date of entry, thereby wiping out the dividing date of October 25, 1940.

2. Comakers, sureties, guarantors or endorsers are entitled to the same benefits as are applicable to the principal. Provision is made, however, for comakers to waive the benefits by an expressed waiver in writing, represented by an instrument separate from the obligation itself. This waiver, however valuable on future loans, will not be available in connection with loans now on the ledgers of the bank.

3. Automobiles and other property held in connection with instalment leases or sales contracts cannot be repossessed except by court order regardless of the degree of liquidation. Appraisal by three court-appointed

The Soldiers' and Sailors' Civil Relief
Act of 1940 presented many problems to bankers, particularly with re
MILLIAM F. KELLY



appraisers is necessary before the repossessed property can be sold.

4. The Army, Navy, Marine Corps and other branches of the service are required to inform inductees of their rights under the act. This will make it difficult for banks to arrange compromises and settlements that are, in most instances, of benefit to the inductees as well.

Most banks have not as yet been hit hard with induction of their borrowers but it is a fond hope that looks for a continuance of the good experience. We are being told, frequently, of the growing need for a 10 million man Army which will require, in time, some married men and, certainly older men than is now the average. The amendments and the act itself tell a story to the banks' lending officers that need not be expanded upon in this article. We cannot be faced with a large number of frozen loans that must be charged off or reserved for, knowing that the collateral is rapidly depreciating in use or disuse, and that comakers are difficult to collect from even though they might be legally responsible for the obligations.

Generally it would seem that banks should avoid extending personal loans or purchasing instalment contracts if it appears that the borrower, in the light of available information on draft selections, is likely to be inducted into service before the loan or contract is paid in full. On this theory, banks now would not handle applications from single men between the ages of 20 and 45. The

greatest of caution should be used in treating applications from married men between the ages of 20 and 45 if they have no dependent children. From a long-range standpoint some thought should be given to the risk involved in loaning to married men with dependent children if they are not employed directly in war industries.

FOLLOWING a policy of this kind means, of course, that business will be done on a greatly reduced volume thereby increasing costs and decreasing profits. More serious is the danger of loss of goodwill that is occasioned by wholesale rejections after that goodwill has been built up at considerable expense over a period of years. Banks have no alternative but to take this risk since they do not, in all cases, possess the information needed to make the proper selection without resorting to sheer guesswork. Credit will be shut off from many people who will never serve in the Army or Navy, but the banks' position can and should be carefully explained to their applicants. The Civil Relief Act is considered vital to the morale of the men in our armed forces and, if its generalities prevent the free flow of bank credit. the general public and the banks accept the loss in the interests of a coordinated war effort.

No. 3—OVERALLS. Women workers no longer limit their activities to office jobs; they're working in arsenals and factories. These girls are installing equipment in mobile machine trucks

KONTRONORIO NO NO REPORTANTA DE LA TRANSPORTA DE LA TRANSPORTACIONE DE LA TRANSPORTACION



ATIONAL NI



Many an employer has paid dearly for this type of

Overconfidence. Embezzlement usually strikes from

unexpected quarters, and employee dishonesty insurance
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your own broker make a complete survey to

make sure your protection is adequate

BE SURE-INSURE!



## The Life Insurance Guaranty

Vice-president of the Genesee Valley Trust Company, Rochester, New York
-ROBERT C. TAIT



HAT a bank's lending policy should be toward borrowers who may soon become eligible for the protection granted to holders of life insurance policies under Article IV of The Soldiers' and Sailors' Civil Relief Act of 1940, is impossible to determine as this issue of BANKING goes to press, because at the time of writing two quite different amendments of Article IV of the original Act of 1940 have been passed by the Senate and House respectively in H.R. 7164, and the matter is now in joint committee conference.

THE Senate amendment to Article IV provides that an insured who is in the military services may apply to the Veterans Administration for protection on his life insurance policies up to the face amount of \$5,000, during the course of his military service, providing the cash surrender value has at least sufficient equity to cover the payment of one annual premium as guaranteed under the article. If the benefits of the article are granted by the Veterans Administration, the insurance companies are notified of the approval of application and are directed to charge premiums during the course of the insured's military service against the policy, with interest at the company's going rate for such policies. Companies may not lapse or surrender policies so protected during the course of the insured's military service or for one year after termination of active duty. The Government guarantees payment to the insurance company of any deficiency that may exist between the net avails

of the policy and the indebtedness charged against it at the end of the period, and this amount becomes a debt of the insured to the United States.

The House amendment is quite different. In the first place, it adds a new section, 305 (1), to the Civil Relief Act of 1940, which is not a part of Article IV, and which applies to all life insurance policies on the lives of insured who are in the military services, during the course of service and one year thereafter, regardless of whether application is made for the special protection of Article IV; and this section refers specifically to policies assigned as collateral security for indebtedness. Sec. 305 (1) reads as follows:

"Where any life insurance policy on the life of a person in military service has been assigned prior to such person's period of military service to secure the payment of any obligation of such person, no assignee of such policy shall, during the period of military service of the insured or within one year thereafter, except upon the consent in writing of the insured made during such period or when the premiums thereon are due and unpaid or upon the death of the insured, exercise any right or option by virtue of such assignment unless upon leave of court granted upon an application made therefor by such assignee. The court may thereupon refuse to grant such leave unless in the opinion of the court the ability of the obligor to comply with the terms of the obligation is not materially affected by reason of his military service. For the purpose of this subsection premiums which are guaranteed under the provisions of Article IV of this Act shall not be deemed to be due and unpaid." (Italics are author's.)

Thrus banks may not exercise any right or option which they may be empowered to do by reason of their assignment, except with the consent of the insured, or when premiums are in default, or on death of the insured. No provision is made in these exceptions for paid-up policies that have no premiums due and therefore cannot be in default of premium payments, nor for policies that may mature during the course of service and have no further premiums due, nor for default in interest payments, maturity of time notes, etc. If no

is no provision for action on the part of banks, or insurance companies for that matter, as collateral assignees. This, of course, would seriously affect banks throughout the country, as well as the insurance companies themselves, which have small paid-up policies running out every day because of depleted equity.

Also there is no provision for policies collaterally assigned to banks that have automatic premium clauses in force prior to assignment. These clauses are frequently allowed to stand in force at the time of assignment to a bank, for the insured's and the bank's protection. Under Sec. 305 (1) if the insured failed to pay a premium the insurance company would pay it and charge it against the policy as a premium loan, underlying the lien of the bank's assignment. The bank could do nothing to protect itself because in such cases premiums would not technically be in default.

THE equity of the policy on which the bank holds a lien would be depleted by the charging up of premiums and interest under the bank's lien. Banks all over the country would appeal to court for relief; in fact, bank examiners, Federal, state and FDIC, would insist that banks appeal to court in order to protect their collateral. Other insureds who did not happen to have automatic premium loan clauses in force prior to assignment might with considerable justice claim discrimination against them, because if their premiums become due and unpaid the banks are free under Sec. 305 (1) to exercise their rights under the assignment, unless the policies have been granted the protection of Article IV.

On all new life insurance loans banks should be careful to have a full understanding with the insured as to how premiums will be paid and the loan serviced if he goes into military service, and a larger equity than is customary would appear advisable, at least until we know where we stand under the new amendments. Also it would appear wise to eliminate any automatic premium loan provision prior to assignment. If the final amendments are so drawn that they apply only to unencumbered policies, or those with indebtedness to the insurance companies themselves, then the banks' problems should not be too difficult: any insured wishing benefits of the Act could first transfer his inequity remained in such policies, there debtedness to the insurance company.

## **Instalment Loans Today**

Vice-president, Valley National Bank, Phoenix, Arizona—CARL A. BIMSON



ANY banks entered the consumer credit field in an effort to bolster their declining earnings resulting from a shrinking of commercial loans and smaller returns from their investment portfolios. Regardless of the reason why banks entered this field, there must be an acceptance on their part of the responsibility for the continuance of this service to the millions of salaried individuals and small business men who have come to expect assistance from their banks in a time of emergency.

Everyone, I am sure, realizes the need to curtail the purchase of items requiring critical materials for their manufacture. It is also realized that the limiting of consumer cash credit is a sound measure to help curb inflation and to encourage the establishment of reserves which are likely to be so useful in the future. We must not, however, lose sight of the fact that credit is the foundation of our entire business structure. Since the American public has acquired the habit of anticipating their earnings, the availability of, at least, a limited amount of consumer credit is imperative to the maintainance of public morale, by keeping the standard of living at as high a level as possible.

Regulation W has placed restrictions upon practically all types of consumer credit, and it naturally behooves all of us to cooperate fully with the war effort by complying with its terms cheerfully. Banks do, however, have a responsibility to their stockholders, depositors, and their communities as a whole, to continue to extend consumer credit

within the terms permitted by Regulation W and sound banking practice.

Since it was not the intention of the Government to eliminate consumer credit entirely we, as bankers, can play no more important part in the war effort than to maintain as nearly normal banking services as is possible to our communities. Many people are under the impression that they are no longer able to obtain funds for purposes for which they formerly borrowed; we should make every effort to advise the public of the continued availability of funds for legitimate needs. After all a bank can only serve usefully if it operates profitably and in the best interests of the community.

A consumer credit department now in operation must be maintained, even though increased demands for other types of loans may make profits from such a department unimportant at this time when instalment loan volume is steadily declining. If banks do not continue to serve the needs of their customers now, they will lose the opportunity after the war. Many banks established these departments with too little thought as to their true costs and now, with reduced loan outstandings and shortened terms, it may be felt that the operation should be dispensed with and their loan customers told to go elsewhere for their credit accommodations. If this condition exists, now is the time to appraise your entire procedure and policies with an eye to the future.

A sound loan policy and an efficient and economical operation today will pay big dividends in customer goodwill and earnings in the future, if your loan charges are sufficient to earn a reasonable profit. Of course, in order to continue to operate with a minimum loss and to render the best service to your customers, credit risks must be properly evaluated; not only from the standpoint of permanency of employment but, also, from the standpoint of income and occupation as compared with antecedent information. It must be recognized that the person whose job exists only because of the defense effort, will be a potential collection problem when we again return to our peacetime pursuits. Such customers should be educated to pay as they go, wherever possible, as a safeguard against future unemployment or reduced income.

Many communities are finding prob-

#### Bank Service

Thousands of people have been taught to come to their bank with their financial problems, both large or small, and we must be prepared to take care of them, even though this service may involve more difficulties and more losses than we have learned to expect during the past few years. If we fail our consumer credit customers now, some other institution will take care of them, and we will have lost one of our strongest arguments for private ownership of banks.

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lems resulting from the influx of families drawn by the lure of high wages in defense industries and all are having problems resulting from the pinch of priorities, increased living costs, and taxes, which have adversely affected the paying habits of many individuals and businesses who were previously considered good credit risks. It is extremely important, as a result of these new trends that we encourage the fullest cooperation among credit grantors in facilitating the flow of credit information, both present and past, for the protection of all. Banks can play an important part in the encouragement of a sound community credit policy and should certainly do so.

The average person must have some place to go in times of emergency and we must remember that cash loans, especially, are made for certain definite purposes—such as: the liquidation of past due or pressing bills; doctors, dentists, hospitalization; insurance; taxes; tuition; marriages; rent, property repairs and mortgage payments. It is true that the national income is up sharply, but there are a number of people, particularly in the middle and lower income brackets, who are beginning to feel the pinch of war.

There are peaks and valleys of income and expense in every man's life, and these are accentuated at a time like this with rising living costs, higher taxes, increased marriages and new jobs. The only way the average individual can level off these peaks and valleys is in the same manner as that employed by business firms by borrowing in times of need.

In War...

IN MEETING the demands of war, the nation's banks are purchasing Government Bonds themselves, and are facilitating the sale of War Bonds to our citizens. They are financing war plant construction and expansion, the purchase of production materials, the payment of labor's wages, as well as accounts receivable due from the Navy, Army, Maritime Commission and other front line Governmental departments.

The New York Trust Company, carrying its keen interest in the nation's welfare from peacetime to war conditions, has lent and is lending millions of dollars to implement the war effort.

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## The Consumer Credit Outlook

Bank and Trust Company, Minneapolis project. JOHN BURGESS



EATH, taxes, sickness, insurance premiums and indigent relatives some or all of these crises appear from time to time in our lives. The frailties of human nature and our economic system prevents universal preparedness for everything.

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In a time when labor, both domestic and industrial, is scarce, mechanical aids to comfortable living and business efficiency are necessary, certainly advisable, and can be paid for on the instalment plan with substantial down payments and shortened maturities. When the boys are in the Army and the girls are in the cartridge plants, washing machines in the home and tractors in the fields become essential: when food is high and waste is criminal, scientific refrigeration becomes a safeguard to health, a help toward economy, an accessory to the purchase of War Bonds.

WITH critical materials going into the war effort and the consequent curtailment or elimination of the manufacture of automobiles, refrigerators, and other durable goods formerly financed to the consumer on an instalment basis, there has been of necessity a great curtailment in the volume of consumer credit. And that is all to the good in the stress of war times.

If we can visualize the tremendous difficulty which has been experienced in converting our national manufacturing plant into a war plant, we can also vaguely comprehend the equally tremendous difficulty which will be experienced in converting our arsenal of

Vice-president, Northwestern National democracy back into a peacetime ning to be understood and appreciated

WHEN that conversion time comes, all the machinery of instalment selling and financing will be needed to take up the slack. In fact, with the increased desires, needs, and ambitions of a populace whose natural bent for improvement in living conditions has been long suppressed, there may be more instalment financing needed than existing facilities can take care of. At least, nothing should be done deliberately to destroy organization of trained personnel, mechanical and physical set-up.

Also, when the national emergency has ceased, and we attempt to convert tanks and bombers into plowshares, figuratively speaking, it is more than probable that, as the result of inventive genius stimulated by war, numerous new mechanical devices will be offered the public.

Many predictions have been made as to the universal appeal a low-priced airplane will make to the next generation, and in all probability privately-owned airplanes will be in the same sales promotion and financing position that automobiles were after the close of the last war.

THAT there will be a great change in the methods of processing, purchasing, and holding of foods in the average household, seems inevitable. Mechanical refrigeration was really just begin-

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No. 4-YANKS ARRIVE. American soldiers, part of the first AEF of '42, arrive at a North Ireland port. This vanguard was followed by substantial reinforcements of men and material



by the public at large when the war began. It is not unlikely that the average middle-class family will purchase meat and poultry, fruit, dairy products and vegetables, in quantity at seasonably economical prices, carry them in a sharp freezer of substantial size, and use them as they desire, at a considerable saving of money and time.

PROBABLY we shall never go back to the days of ruthless competition and unrestrained terms as to maturities and down payments in this time payment field. Some measure of control is desirable to prevent abuses, but by and large consumer credit is here to stay in some form or another, so long as our present economic system prevails. But, as I read again the preamble and code of the American Bankers Association's Consumer Credit Council, I am impressed with the breadth of vision which made possible the promulgation of such sound, enduring, and wise principles.

So banks should now and always (if they have the legal capacity) make loans for all necessary, worthwhile, beneficial purposes, whether they be large or small, demand, time or term, with the usual reservations as to safety. If they do not, some governmental agency will be distributing largess less carefully, less intelligently, than our privately capitalized banking system can do and is doing, on a self-liquidating basis.

In a war economy, in the best interests of the public a bank's policy, I think, should be to continue to make consumer credit loans within the framework of governmental regulations for all necessary and worthwhile purposes. refusing to make loans for foolish or unwise purposes, and endeavoring at all times to get people out of debt and to keep them out of debt, rather than urging them to go into debt.

The ultimate in prohibition of consumer credit will only lead to unlicensed, unwise, loan-shark practices.

The word "morale" has been much overworked and used as a blanket excuse for promoting everything from prize fights to aesthetic dancing. But even in a war economy, people must go on living and will doggedly continue to go on living in such comfort as is available, even though prices are high and prohibitions onerous.

#### Personal Loans in Wartime



Vice-president, The National City Bank of New York—ROGER STEFFAN

In a wartime economy under which personal loans and instalment credit of all kinds are restricted by government regulation a question that is bound to hit a bank right between the eyes is: "Is any advertising for personal loans justified?" Certainly, if the theory underlying Regulation W is carried to its logical conclusion, only that consumer credit should be ex-

tended which is absolutely necessary. It is perfectly obvious that the blatant, ear-shattering and eye-blinding advertising of the "36 percenters" and other high-rate loan companies directly seeks to induce borrowing that is not necessary. It seeks to persuade men and women to go into debt who have not thought of going into debt.

No doubt it is a temptation for banks in many areas which see their customers being influenced by such ballyhoo to try to meet the needs of these citizens themsolves in a decent manner and at low cost, and many of them no doubt ask themselves: "How can we help our customers keep out of the hands of the '36 percenters' unless we inform them of our own service?" That is a perfectly logical question which Regulation W and other wartime regulations have left unanswered. It is probable that the harmful advertising of many of the high-raters has offset much of the effect of the liquidation of consumer credit which has taken place in bank instalment loans. It is appropriate to wonder what is gained by banks' cooperating in the liquidation of credit while the advertising and merchandising mill of the high-raters is working to create new debt.

I THINK the best policy is not to advertise instalment loans at all, but that might not fit the book of every bank everywhere.

Having found locally the correct approach to that problem, two other problems are:

(1) How can we make loans to such persons as apply to us and be reasonably sure they will be paid?

(2) How can we meet rising costs when our volume is declining if our rates remain stationary?

The first question is one that will have to be answered on the basis of conditions in each locality.

The second question is a serious one indeed for banks which have gained the acclaim of the public through their low cost credit service. It would be a shame if conditions beyond the control of banks should necessitate higher charges.

To suggest a complete solution for this situation would require a degree of clairvoyance which would reveal the length of the war and the extent to which volume would be further affected by the draft or additional government regulations. I am not a clairvoyant.



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## Accounts Receivable

of Chicago-R. L. REDHEFFER

T is not hard to understand why the average banker has looked with dis- (A) Preparing the loan favor upon accounts receivable financing. He generally associates it with an unsecured loan which has gotten into trouble and on which the bank has taken receivables to secure itself against a possible loss.

In considering the advisability of loaning a customer money on receivables, the first consideration the bank must have is that it is a loan which will demand considerably more attention than the average loan based on a statement where the ratio is two or three to one, or better, and where the company is in exceptionally healthy condition. There are many companies whose increasing sales demand larger bank accommodations than their statement warrants. These are undoubtedly deserving of consideration and should be allowed to use their receivables to secure such a loan.

In order to understand a man's needs and watch his progress, it is necessary to get financial statements much oftener than on the ordinary unsecured loan. In fact, in many instances, we ask for monthly statements and never less than quarterly, because the purpose of the borrowing should be to take care of increased business. At our bank, before we take on a receivable loan, we ask the customer to prepare for us a cash budget showing what his approximate requirements are over a period of six months, based on his estimate of his sales pro-

It is necessary to police the accounts with your own field auditor, not primarily to catch dishonest acts, but to catch normal mistakes which can happen in remittance of checks belonging to the assigned accounts. Therefore, it is not wise to base the charges on such borrowings as you would on an unsecured loan. Our rates vary from a 6 per cent interest rate, with a service charge of one-fourth of 1 per cent of the receivables hypothecated, to a 6-3 rate, which means 6 per cent per annum interest and 3 per cent per annum service charge. In both instances, we consider the service charge not as interest, but as the cost of servicing the account.

After the statement and budget have been submitted to the bank and we

President, Merchandise National Bank have approved of the credit, we generally adhere to the following routine in making the loan:

- 1. The customer lists alphabetically the receivables to be pledged on a schedule showing the name, date of invoice and due date. (We suggest to the customer that this schedule be prepared in duplicate.)
- 2. The borrower must furnish an assignment with each note. It may cover several pages of schedules. In the case of a corporation, the corporate seal must be affixed.
- 3. The borrower must stamp his books with a stamp furnished by the bank which states that the account has been assigned to the bank.
- 4. The borrower delivers to us duplicate invoices to which shipping evidence must be attached when available.

#### (B) Auditing the loan

1. Our field auditors work under the direction of our credit department. They visit each borrower once a month and check all open invoices against the customer's ledgers. Shipping evidence is spot checked and particular attention is given to tracing the ultimate payment

of invoices which remained unpaid on schedules taken up by the customer with his own checks. In addition to the above checking, the auditor is given a form by the manager of the credit department, which requires him to check specific information, such as:

- 1. Were books current and records adequate?
- 2. Were records properly stamped to show assignment to us?
- 3. Has this stamping been neglected in the past?
- 4. Were there indications of heavy withdrawals by principals?
- 5. Were there delays or failures to settle with bank for collections and credits?
- 6. Do majority of receivables pay under invoice terms?
- 7. Do they have an adequate collection follow-up?
- Were remittances allocated to proper invoices?
- 9. Do they reassign old invoices on new borrowings?
- 10. Do they take up a substantial amount of loans or invoices with their own checks?
  - 11. Were allowances or returns excessive?
  - 12. Were evidences of shipment satisfactory?
  - 13. What is the practice of borrower in meeting his payables?
  - 14. Were there indications of existence of contras or offsets?
  - 15. Were Social Security and other taxes paid currently?
  - 16. Do they assign current accounts or assets elsewhere?

#### (C) Advances and rates

- 1. On small loans (under \$2,000) 6 per cent discount and onefourth of 1 per cent fee on the total amount of the invoices are charged.
- 2. The majority of our accounts are charged on the daily balance owing. These rates vary from 6 per cent interest and 3 per cent fee down to  $4\frac{1}{2}$  per cent interest and 11/2 per cent fee. This latter rate is generally based on the size of the loan, plus the com-





pany's financial statement and (E) Repayments earning power. We have some loans where we charge 6 per cent without any fee. This is on a general assignment of all receivables. And in this respect. I wish to call specific attention to the fact that when a general assignment is made of receivables, it is very important that all remittances received by the company are turned over to the bank, as that is the only way to hold dominion over the funds.

3. The percentage of advance varies from 70 per cent to 90 per cent. In cases where customers allow discounts over the usual 2 per cent. The net amount of the invoice, after such discount might be taken, is used in computing the percentage advanced by the bank on the invoices.

#### (D) Length of time of notes

1. To customers whose invoices are made on a 30-day net basis, we generally give a note for 30 days, with the understanding that a 15-day renewal will be made on the unpaid portion of the note at maturity. If the accounts have not been paid in the 15 extra days, the customer is requested to take up the note with his own check. To customers whose invoices run 60 days, we also give an additional 15 days renewal.

1. Payments are listed or a schedule given to the customer by the bank, which is prepared in duplicate, and we require that the actual checks received are delivered to us. In the event the checks delivered to us include invoices which are not assigned, credit is given to the customer the same day.

2. The majority of the large borrowers repay the same percentage of their collateral that they have borrowed, the difference being credited to their checking account, and the small accounts are required to repay the full 100 per cent of collateral.

3. Customers are required to report credits allowed on returned merchandise, etc., once a week and if there is not sufficient collateral to absorb these credits, we require our customer to give us their own check for the amount.

#### (F) Miscellaneous

- 1. We generally give the borrowing customer a letter of instruction governing assigned account operations. In many cases a field auditor will call and explain the system to new borrowers.
- 2. All loans are made on a nonnotification basis.
- 3. A record is kept of all loans which are repaid by the cus-

tomer with his own check and any loan on which 10 per cent or more is paid in this manner is reported to the loaning officer the following day.

4. Payments are not applied against individual loans, but deposited in a special account until such time as the note is due or to be renewed. A special form of ledger sheet on which collateral and payments are recorded is kept by the bank.

THERE is a considerable amount of misconception as to the meaning of Chapter 60 of the Chandler Act with regard to the validity of assigned accounts without notification. According to our attorney, the trend of most of the decisions is to protect the bank which has made loans.

Of course, in this, as in any other banking transaction, there is always a danger of fraud and dishonesty, but in our experience this has been negligible.

In conclusion, I would like to add that in my opinion the customer who needs this kind of financing is entitled to it provided he can demonstrate that he is operating at a profit, is using the proceeds from the loan to discount his payables and is having an expansion in his sales. I also feel that this accommodation may be granted by banks with comparative safety and at the same time give their customers a service.

## **Assigned Accounts Borrowing**

Assistant Vice-president, The Pennsylvania Company, Philadelphia-H. C. CULSHAW.



THIS subject has become a verbal football in that its pros and cons have been tossed back and forth rather extensively among banks. Since it is a subject with a great deal of room for discussion, let us confine ourselves to one phase only at this particular time, namely, the place of accounts receivable financing in the war effort.

Immediately, there will arise several questions, the first, perhaps, being: Is it not a fact that Regulation V makes the assignment of accounts receivable mere unnecessary detail?" The answer to this could well be a further study of Regulation V. In the application for a "V" loan, a paragraph is devoted to the description of collateral to be pledged. Since the collateral under such loans consists almost entirely of moneys due or to become due under

government contracts, or as subcontractors, the assignment of receivables arising thereunder, the detailed mechanics and necessary follow-up logically fall under a set-up and control such as exists under normal account receivable financing. It may be argued that the hazards emanating from receivable financing arising under the assignment of government contracts are entirely different than those arising under the normal commercial accounts receivable. In part this is true, in that the ultimate paymaster in the case of government contracts is beyond question, so far as the credit risk is involved. Beyond this point, however, the mechanics and the exposures are very comparable. In other words, if a contractor under a government prime contract does not produce goods that meet the





NATIONAL BANK OF DETROIT

W. S. MF LUCAS

To the Members of The American Bankers Association:

at this time, be extending a welcome to the delegates attending the 68th Annual Convention of the American Bankers Association scheduled for Detroit this year.

But, business is not as usual -- we are at war -- and it is only proper that the bankers should set an example for the rest of the nation by canceling their Annual Meeting.

We want all of you to know how genuinely sorry we are to forego the anticipated pleasure of being one of your hosts this fall, but we all have a job to do on the home front.

It is our earnest hope that, when the peace is won, we may join together and, by our combined efforts, help solve the problems of the critical period of reconstruction which will inevitably follow.

Sincerely yours

Chairman

most rigid inspections, these materials are returned and the receivables are not paid until such time as corrections have been made. This is an element that also exists with normal commercial receivables and the degree of return, in most cases, is much less than in the case of a government operation. It is perfectly true that in the case of a "V" loan, the bank receives a guarantee of a given amount by the Federal Reserve bank. acting as fiscal agent for one of the departments of the Government. This does lessen the risk in the event of difficulty because the banks can call upon the guarantee and be partially reimbursed for any losses.

To a greater degree, for the present at least, is the job of financing the receivables arising under government contracts, both prime and sub, that are not supported by Executive Order 9112 guarantee. Thousands of manufacturers are called upon today to do a volume of business which their cash working capital cannot support. They are willing and anxious to do their part, not only because they feel it is their patriotic duty, but also because they hope to survive. If they cannot or do not resort to a "V" loan, or a direct advance from some governmental agency, they must rely upon their bank, a finance company or factor to give them aid.

At this point is where too many financing institutions have made a serious mistake. Some bankers have felt that when a manufacturer has been awarded a government contract, and the contract has been properly assigned to the bank in accordance with the Assignment of Claims Act of 1940, any loans made against the contract are good as gold. Nothing could be further from the truth. There is not one iota of doubt that the Government can and will pay, if the materials are made and delivered in accordance with the contract specifications. But the Government is not going to pay for something it has not received, or which does not meet its specifications, assignment of contract or no assignment of contract. Therefore, the fundamental in the assignment of contract as to its collateral value depends almost entirely upon the contractor's ability to produce. Therefore, if advances are made only against the receivables arising under assigned contracts, the risk is greatly reduced.

Few are the loans that can be classified as 100 per cent safe, and yet if properly handled and serviced, loans made against the receivables arising under government contracts come close to approaching this goal.



## Field Warehouse Financing

Goods" for the June issue of BANKING; also of "Foreign Exchange Accounting" and "Analysis of the Uniform Trust Reccipts Act"

- CHRISTIAN DJORUP

ANY studies of the field warehouse system have been published and one of the best is Commercial Bank Management Booklet No. 24, prepared by the Research Council of the American Bankers Association. On page 10, in the chapter "Field Warehousing is Flexible, Economical and Efficient," it is stated: "A field warehousing arrangement should be considered only in connection with raw or finished merchandise and goods in process should not be considered under such an arrangement. It would be practically impossible for the holder of warehouse receipts or a field warehousing company to keep complete control over goods in process.'

This shortcoming of the field warehouse receipt is remedied by the trust receipt in the states that adopted the Uniform Trust Receipts Act, viz: California, Connecticut, Illinois, Indiana, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Oregon, Pennsylvania and Tennessee, in which states a security interest is a legal basis for a valid trust receipt.

The Uniform Trust Receipts Act substitutes a security interest for ownership interest which extends the use and

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

No. 6-RATIONING. Sugar was rationed in the whole country, gasoline only in the East.



Author of "Aids in Financing War the rights of the trust receipt consid- Uniform Trust Receipts Act, a chattel erably as shown in the following exam-

> A banker who makes a loan against inventory represented by a field warehouse receipt can now release part or all of the warehoused collateral against a trust receipt and remain protected as against general creditors in case of bankruptcy without recording such lien separately, while formerly and at present

mortgage interest only is retained which must be recorded and filed to become enforceable unless the merchandise was the property of the banker before ware-

Many manufacturers do not have sufficient working capital to pay for all the material and labor needed and it requires financial help by city and country banks to place the necessary funds in states which have not adopted the at the disposal of the contractor anxious

> If You Are Interested in United States Treasury Bills and Certificates...

we'll be glad to send you our quick reference table to use when buying or selling Treasury Bills . . .

we'll be glad to make bids and offerings in bills and certificates . . .

and we'll be glad to answer inquiries regarding them.

> GOVERNMENT SECURITIES . DIVISION

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO

Member Federal Deposit Insurance Corporation

to complete government orders and it will need warehouse and trust receipts to collateralize these loans before the amounts to become due from the Army, Navy or Maritime Commission can be assigned as collateral for the protection of the depositors' money.

·It may become necessary to use the means of assigned accounts receivable, field warehouse receipts, trust receipts, chattel mortgages on machinery and equipment, real estate mortgages and whatever collateral is available to make the loan safe and sound.

The only manner in which merchan-

facturer, who wishes to secure a loan worsted or woolen mill that manufacagainst it, can be made the subject matter of a trust receipt transaction is by warehousing it. The merchandise can be placed in a field warehouse, the field warehouse receipt can be given to the banker as collateral for a loan and can subsequently be released by the banker under a trust receipt arrangement for the processing and collection of the proceeds of the finished article.

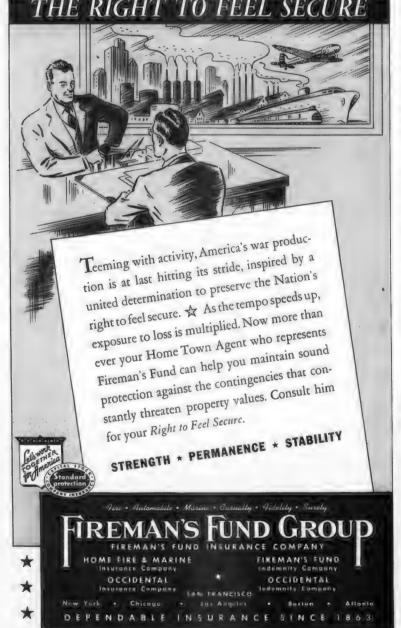
Assume that a manufacturer of uniforms gets a large war order for uniforms and needs a large quantity of dise already in the possession of a manu-uniform cloth. The bank may pay the

tures the cloth that has been purchased by the uniform manufacturer, and have the cloth put into a field warehouse established on the premises of the contractor. The cloth may be released from the field warehouse upon delivery order or by arrangement of the bank on trust receipt, provided the uniform manufacturer or contractor is located in a state where the Trust Receipts Act is in force, and be paid out of the proceeds of the finished uniforms as and when received by the contractor from the Government. This presupposes that all the material going into the uniforms is treated in a similar manner to prevent divided security or ownership interest in the proceeds of the uniforms.

In most cases the articles purchased ' by a government agency have to be inspected, examined and approved before acceptance and banks may prefer to use the field warehouse and trust receipt and thereby have a lien on the merchandise itself until an assignment of the account receivable due from the Government can be obtained as collateral.

A CONTRACTOR may have received government contracts for the delivery of 10 or more articles to the Army and/or Navy. The contract may call for partial delivery at different dates over a longer period of time. By purchasing large quantities the contractor may obtain cheaper prices, and by having the arti cles delivered into a field warehouse

(CONTINUED ON PAGE 62)



#### NAME AND A DESCRIPTION OF THE PROPERTY OF THE PARTY OF THE PARTY.

No. 7-"DOWN UNDER," Across the sea lanes of the South Pacific the United States moved men, equipment and supplies to aid the defense of Australia and to prepare for offense against the Japs. Here are Yanks debarking "somewhere in Australia"



# To our banking friends from coast to coast...

we extend cordial greetings through this issue of Banking — now that cancellation of the Convention denies our representatives the pleasure of seeing many of them at Detroit.

We shall welcome consultation from those who might use to advantage our loaning resources to supplement theirs in financing war production. Advances in substantial amounts, including a number under Regulation V, have already been made on this cooperative basis. We seek constantly to increase our participation in the war effort by joining with more of our correspondents in meeting the credit requirements of their respective communities.

## IRVING TRUST COMPANY

ONE WALL STREET
NEW YORK

Member Federal Deposit Insurance Corporation

In heroic times the importance of the commonplace may be overlooked.

The maintenance of sound bank correspondent relationships is an essential if unnoticed factor for good, whether in emergency or under normal conditions of business.

Raise your sights—as all banks are doing in this all out war effort.

But keep your powder dry—by using the best collection facilities for your every day needs.

... THE ...

## PHILADELPHIA NATIONAL BANK

ORGANIZED 1803

PHILADELPHIA, PA.

Resources over \$650,000,000

Member of Federal Deposit Insurance Corporation

#### FIELD WAREHOUSE FINANCING

(CONTINUED FROM PAGE 60) established on his premises he can assure prompt delivery when the respective articles are needed. The bank may make advances to the contractor by paying the different supply houses or manufacturers direct and receiving field warehouse receipts for the articles stored on the premises of the contractor. Articles stored in a field warehouse, if located in a state where the trust receipts law is enforced, can be released on trust receipt with the agreement that the proceeds, as and when received, are turned over by the contractor to the bank. In other states, chattel mortgages would have to be filed and recorded to hold a lien on the articles delivered ex-field warehouse and it would be more advantageous to arrange for payment by cash or substitution of raw material or finished goods in the value of the articles.

(The Round Tables are continued on page 89)

#### \*\*\*\*\*\*\*\*

No. 8—CORAL SEA. The last moments of the aircraft carrier Lexington, which was unable to survive wounds she received in the great Battle of the Coral Sea



PRESS ASSOCIATION. INC

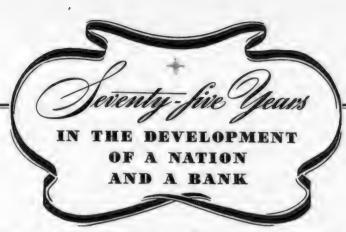
#### \*

No. 9—AIR POWER. The greatest air raid in history pounded Cologne when more than 1,200 R.A.F. planes roared over the city last May—forerunner of mass aerial destruction in other German industrial cities by Allied planes



WIDE WORLD

BANKING



ON JULY 1st, 1867, a union was effected of four small colonies in Canada — the Provinces of Ontario, Quebec, Nova Scotia and New Brunswick. So Canada became a nation, with a Federal government. Six weeks earlier The Canadian Bank of Commerce was established under the leadership of Hon. Wm. McMaster, one of the farseeing statesmen who visualized a bright future for the New Canada if she could be aided by progressive legislation and financial policies. As a noted historian has said: "The subsequent history of The Canadian Bank of Commerce is part of the story of the Dominion of Canada." How well this observation is proven will be seen from the following summary.

THE ACTIVITIES of this Bank, however, have not been confined to Canada. Early in its career—in the 70's—it opened an agency in New York to facilitate trade between Canada and the United States. Over forty years ago it merged with the Bank of British Columbia, with branches, dating from the 60's, in San Francisco, Portland and Seattle. Through these offices, and by thousands of connections with American banks and business men, The Canadian Bank of Commerce has helped develop a healthy North American trade. To-day, this Bank is an integral factor of the commercial union which virtually pools the resources of the two nations to protect North America against world gangsterism.

#### The Growth of Canada

Area	Year of Confederation 377,045 sq. miles	Present 3,694,853 sq. miles	
	(4 provinces as constituted in 1867)	(9 provinces)	
Population	3,372,000	* 11,420,084	
Gold Production	22,941 fine oz.	* 5,328,314 fine oz.	
Imports	\$67,090,000	* \$1,448,792,000	
Exports	\$52,702,000	* \$1,640,455,000	
Steam Railway Mileage	2,278	42,601	
Branches of Chartered Banks	123	3,428	
Chartered Bank Deposits		* \$3,634,000,000	

#### THE GROWTH OF THE CANADIAN BANK OF COMMERCE

	30th June 1868 {1st Annual Statement}	30th October 1941
Capital. Reserve		\$ 30,000,000 \$ 20,000,000
Total Loans	\$1,894,294	\$306,040,521
Total Assets. Number of Branches.		\$761,407,978

# THE CANADIAN BANK OF COMMERCE

Established 1867

Head Office: Toronto, Canada

S. H. LOGAN, President

A. E. ARSCOTT, Vice-President and General Manager



## War Time

New problems, new tests, challenge American Banking and American Business.

Many key employees are in uniform. You must do more with new people—willing but untried.

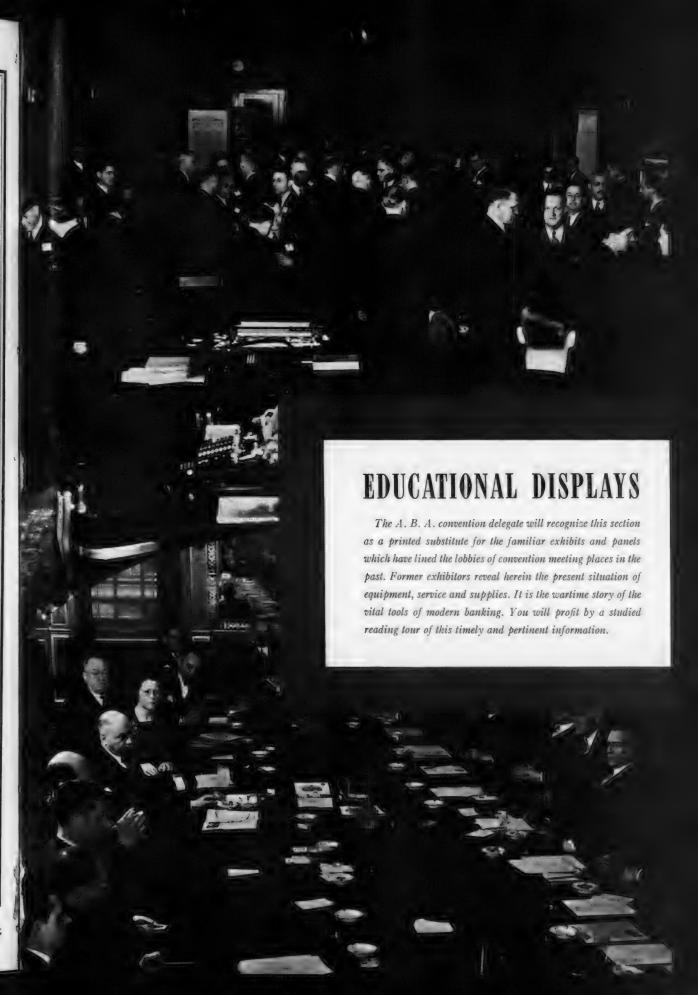
The "invisible armor" of National Surety protection helps banking and business safeguard and speed operations today.



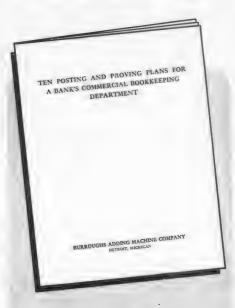
## NATIONAL SURETY CORPORATION

VINCENT CULLEN, President

BANKERS' BLANKET BONDS • FIDELITY BONDS • SURETY BONDS and FORGERY, BURGLARY and PLATE GLASS INSURANCE



## POSTING AND PROVING



#### Send for This Booklet

In this booklet, Burroughs offers for your consideration five Dual Posting Plans and five Single Posting Plans, together with important facts concerning account analysis. Each plan is simply and briefly described—forms and applications are plainly illustrated. This information may help you decide on the plan best adapted to meet your own individual requirements. It is yours for the asking.

KEEP THEM BUYING
United States
War Savings
Bonds and Stamps

The rapid growth of commercial department activity during the past year is causing many banks to review their posting and proving procedures.

A few banks have already found that by altering their present posting and proving plan they are better able to meet the problems set up by today's increasing item volume, rising operating costs and shortage of trained personnel.

To assist banks, Burroughs offers a booklet illustrating and describing ten posting plans most commonly used in banks. A study of these plans might be helpful while you are reviewing your present commercial department posting and proving procedure.

BURROUGHS ADDING MACHINE COMPANY
DETROIT, MICHIGAN

Burroughs

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## The Bank's Supply Problem

HERBERT BRATTER

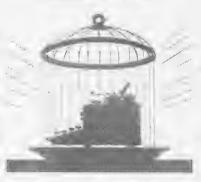
Mr. BRATTER is a Washington correspondent for BANKING.

Supplies of machines and equipment used by banks are going to be increasingly difficult to replace. Therefore, banks are urged to take the utmost care of such machines as they now have. In the WPB, typists and stenographers have all been put through a school to teach them how to take the best care of the machines. The typewriter is considered the typist's "gun," and she is expected to take just as good care of it as the soldier must take of his weapon.

Insofar as concerns the repair and maintenance of existing business machines in use in banks, for the present at least adequate supplies of metal have been made available by WPB. It does not follow, however, that this will always be the case. As the months go by and run into years, even repairs of business machines may become impossible.

Fortunately there have been available, and are still available in limited quantity, certain kinds of machines obtainable without priority. For the most part, these are second grade machines, the manufacture of which has been discontinued. In other instances, some special-purpose machines, in no sense second grade, are still obtainable in limited numbers. The expression "second grade" as used above does not mean that this equipment is of inferior quality. For example, the list of machines, which may still be obtained here and there without priority assistance, includes six-figure adding machines. These machines are no longer being made because most business users of adding machines require one that will take more figures than six.

Among other machines which banks use and of which a limited supply is still to be found here and there are: duplicating machines not possessing the most modern refinements, small microfilm machines not of the general office type, discontinued styles of bank transit machines, various bookkeeping machines, certain bank posting machines, small, hand-operated stencil addressing machines, tag addressers, automatic paper feeders for multigraph machines,



small duplicators, bank proof machines used in sorting checks, and attachments for various machines such as setback counters. As might be expected, the number of such discontinued models available on the market is generally very small.

Banks will have great trouble, if indeed they have any success at all, in replacing their present adding machines, transit machines, posting machines, duplicators, typewriters and metal furniture. Such typewriters as are being made now are confined to the victory model manufactured by the Woodstock Typewriter Company and this very limited output is solely for war plants and essential government purposes.

Metal furniture, of course, is not obtainable, since it is not being made any more.

THE situation with regard to telephone instruments and wiring is extremely tight. Telautograph equipment and similar communications apparatus is in the same category.

Bankers will recall that the manufacture of office machinery is subject to the restrictions of WPB Order No. L-54-c of June 1, 1942. This order gave two lists of quotas for the manufacture of office machinery. List "A" sets forth limited production quotas for eight types of machines, the manufacture of which must be completely discontinued after November 30, 1942. List "B" covered seven additional categories of machines and established limited production quotas for the second half of 1942. These two lists are as follows:

#### List A

(2) Continuous forms handling machines, typewriter 'principle, having forms handling devices constructed as an integral part of machine

(3) Calculating and computing machines.
(4) Dictating machines and collateral equipment, but not including machines embodying amplifiers and other facilities for recording telephone conversations, conferences and wireless messages with near and far-voice control

(5) Duplicating machines, including, but not limited to ink ribbon, gelatin, offset, spirit, stencil and reproducing typewriter principle machines.

 (6) Microfilm machines
 67

 (7) Shorthand writing machines
 100

 (8) Time stamp machines
 33

#### List B

Addressing machines, including, but not limited to embossing machines for plates and stencil cutting machines for fibre stencils.
 Billing machines, accounting principle,

 (4) Office composing machines (changeable type, changeable horizontal and vertical spacing, uniform impression).

 (5) Payroll denominating machines and

No new safe deposit vaults or boxes are being allowed to banks, but at this writing the WPB is working on a plan which will allow banks to get new lock tumblers and keys without priority, on the theory that practically as much scrap metal is turned in as the amount of new metal used for such purposes. Until now banks have had no difficulty in getting safe deposit equipment repaired.

In this connection, WPB has been suggesting that banks get some of their customers to double up in the use of a single safe deposit box. It is said that quite a number of new boxes have been rented to persons for the purpose of keeping safe their War Savings Bonds. It is pointed out in the WPB that such bonds are registered and that there is therefore no danger from theft in having the War Savings Bonds of more than one person kept in a single box. How customers could be persuaded to double up in the use of safety deposit boxes seems to be a matter for the ingenuity of the bank concerned.





Standard A. B. A. Size DEPOSIT SLIP files easily

This Self-Addressing DEPOSITOR'S RECEIPT

fits a standard window envelope

This tough, opaque DEPOSIT **ENVELOPE** seals completely

Bank customers are moving . . . to army encampments and war industries. Some are banking nearer home to save tires and gasoline. You will need those customers after the war. Offering them a Banking-by-Mail system now will help to keep them as depositors . . . as borrowers . . . as users of other bank services. May we send you samples of the Curtis Bank-by-Mail System?

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...and do the job of packaging small forms more efficiently.

small forms more efficiently.
Liberty STRING BINDERS offer an
economical method for packaging all
kinds of small forms...easily...
securely...so they can be referred to
quickly at any time. Rid yourself of
packages broken open by rotted rubber
bands or tedious tying and untying
string when reference is necessary.
Use Liberty STRING BINDERS.
Thousands of banks and large concerns—

Thousands of banks and large concerns— leaders in efficiency—use Liberty STRING BINDERS . . . have been for years.

AVAILABLE ANY SIZE - PLAIN OR PRINTED



Cost less than 2e each in quantities of 250 or more. For full information and FREE SAMPLES just attach this ad to your letterhead together with form to be packaged and mail it today.

BANKERS BOX COMPANY

536 S. CLARK STREET . CHICAGO, ILL

In the matter of repair and maintenance of such capital equipment as passenger elevators, priority assistance is being granted by WPB only where the case is of an emergency nature. If a bank has 10 elevators, and one of them breaks down, it is quite possible that WPB will decide that the bank can get along with nine elevators. On the other hand, if all 10 elevators are put out of commission, that is unquestionably a real emergency. The thing for a bank to do in that case is to telephone at once to the nearest WPB office, which will obtain from Washington telegraphic authorization for the repairs.

The WPB is giving banks every assistance in converting oil burners to the use of coal. This is at present primarily a problem along the East Coast, but there it is a very important problem. Conversion from oil-burning equipment is a "construction" job which requires the use of application form PD-200. It is not to be taken for granted that any such application will be automatically granted. The amount of fuel oil saved must be sufficient to justify the step. All PD-200 applications from banks, like any other requests for WPB aid that come in from the banks, pass through the Financial and Business Services Section of the Services Branch, of which J. D. Vail, Jr., is section chief.

Form PD-200 is often filed by the engineer in charge of the construction project, but it may be filed by the bank itself. Once a project is okayed by the WPB, the latter assigns priority ratings sufficiently high to insure that all of the necessary material will be obtained. Occasionally it happens that for one or another item requested in the PD-200 application, the rating assigned proves too low. In that event, the applicant must come back to WPB again.

Any construction project, whether for the conversion of oil-burning equipment or other structural changes, must have the approval of WPB. A bank that wants to enlarge its directors' room may save itself trouble by simply not applying for approval, since such approval will not be granted. On the other hand, if a bank is in the neighborhood of an Army camp or in a defense community and has a justifiable reason for wanting to make some changes in or additions to its premises, it has a good chance of success. Naturally, for minor repairs which fall below the exemption granted to everyone by the WPB's construction limitation order banks receive the same treatment as anyone else.

(CONTINUED ON PAGE 170)

## ...Old Friends in a New Light!

Today's problems of manpower, wages and hours point directly to the advantages of *more* mechanization in your work . . . yet priorities definitely limit the installation of new equipment.

But there is an answer! Consider the possibilities in those National Accounting-Bookkeeping Machines you already have. How many more operations can these old friends perform? Many institutions have substantially increased their mechanization with machines already in use!

National Machines speed work, lessen man-hours, cut waste and save money . . . just the advantages you want today. Are you getting the most out of yours? Call in the National man . . . perhaps he can point out additional operations that can be handled on your machines, new short-cuts, combination jobs to save manpower and supplies.

Your Nationals will last longer with regular professional inspection and care. Have our factory-trained servicemen keep them in shape with timely repairs and standard parts.

National service is set up to help you see this through. Our aim: to have every National doing every job it can. Why not look at these old friends in a new light?



# REVISE SERVICE CHARGES NOW

## But Do It Right

Our staff has installed service charges in hundreds of banks. We'll be glad to talk it over without obligation to you.

Write for Booklet



## KENNEDY SINCLAIRE, INC.

New Business for Banks
140 CEDAR STREET, NEW YORK, N. Y.

With inadequate service charges the more sainess you do, the is soney you may make.

## BANK'S SUPPLY PROBLEM—Continued

It would seem that in the coming Winter and thereafter, so long as the war lasts, banks will have to inaugurate various innovations in their business practices. Heatless days are a distinct likelihood next Winter. The pooling of equipment has been suggested and is already being tried in some places. Longer hours for bank workers, the staggering of customers' banking hours, the elimination of some services now being rendered, and the like, are among the innovations which appear to be coming.

Some of these innovations would have to be brought about by the united action of all of the banks in a given community. For example, in a certain Massachusetts town three banks requested from WPB authorization to buy microfilm machines. Instead of granting permission for the purchase of three such machines, WPB's Financial and Business Services Section suggested that one machine be purchased and its use shared. As a result of this suggestion, six banks in the community are now using one microfilm machine, which is sent around from one bank to another as the need arises. This example may be followed by the banks in many communities in the case of any portable machine.

Not only bank employees, but also bank machines will have to be working longer hours, owing partly to the increased volume of banking business and, as time passes, to the increased employment by banks of new and unskilled persons. In other words, bank machines will not be used so efficiently as heretofore and as a result, notwithstanding the increased cost for overtime pay, the time seems to be approaching when bank machines in busy localities will be used around the clock.

The staggering of customers' hours may be done in various ways. For example, all customers whose names begin with the letters A to F might be required to do their banking within certain specified hours. Here again joint action by all of the competing banks in a given community seems to be called for.

The WPB has found that the banks have conducted themselves admirably, insofar as concerns requests for capital equipment, and these officials urge banks to keep their present equipment in tip-top working order by taking the best of care of it.



The famous old minstrel line, "Ahwants mo' money!" is a sentiment as wide-spread today as ever. Nowhere is the need of additional earnings more acutely felt than among banks.

The Todd Pay-As-You-Go Checking Account System is a realistic means of adding to a bank's profit account for these reasons: Todd passbooks and Todd checks offer the protective features that profitable customers appreciate, when these advantages are once brought to their attention.

When you make the Todd Pay-As-You-Go System available to your depositors, you receive tested plans for merchandising it successfully. These methods have enabled banks throughout the country to tap this growing market for a means of paying bills conveniently, safely and at low cost...and saving the customer's time, tires and gasoline. It's one bank service that is growing in volume and earnings in wartime! May we send you the details?

#### THE TODD COMPANY, INC., ROCHESTER, NEW YORK

Please send samples of Todd checks and more information about your tested plans for building profitable bank business.

BANK NAME\_\_\_\_

BY\_\_\_\_\_\_\_B-9-42



### Service and Equipment Suppliers Say:

#### Conservation—the Keynote in this wartime emergency

Remington Rand's newly launched typewriter conservation plan has been used in the nation's capital by many governmental departments and is soon to be extended to the entire country so that bankers will in turn benefit from this service during the war emergency.

The program carries no "commercialism" and consists of many vital factors in today's picture:

(1) Selling of service work is not the out to operators as a curb on mistreatkey to the conservation plan, but rather ment of typewriters. the selling of the idea that if machines are properly treated a minimum of repair work will result.

(2) As operators must care for their typewriters from day to day, from week to week, they are lectured and instructed on how to clean, dust and protect their machines, with a reminder folder left with them illustrating each

(3) Abuses and misuses are pointed

(4) Owners are given a thorough report on the condition of their typewriters at the time the survey is made. which is prior to the lecture-demonstration.

(5) Typing short cuts that speed writing production are shown to the operators and a copy of Remington's famous booklet "25 Typing Short Cuts" is left in their hands.

(6) Periodic check-ups are urged at the conclusion of each conservation plan presentation.

Other divisions of Remington Rand have been similarly geared to presentday problems of maintenance and service. A corps of more than 1,000 factory-trained service men at over 200 authorized service stations are now afield making every effort to keep bank business machines running for the duration . . . at top speed and accuracy.

The situation on new equipment is controlled by a Limitation Order issued by WPB. However, record-keeping equipment using wood and plastic alternates for steel are available in adequate quantity for new installations. This conversion covers Kardex Visible Records, Kolect-A-Matic Visible Records. and a varied line of filing cabinets.



Conservation reduces repairs to a minimum

Certain types of Remington Rand tabulating equipment are still available to banks, and as an emergency service to handle expanded bank operations the firm has a limited line of rebuilt adding and bookkeeping machines for immediate delivery. But on the whole manufacturing facilities are now employed in the production of vital war materials. Behind this scene there's stimulated activity in the research sections of each division planning equipment to meet the post-war demands.

(CONTINUED ON PAGE 75)



#### HELPING BANKS ... SAVE MONEY

Yes, since 1898 this organization has contributed substantially toward the economical development of all kinds of Bank Stationery . . . all Banking Forms . . . from Deposit Slips and Checks to Recapitulation Sheets.

Our completely modern Plant, equipped for both lithographic and printing processes, has produced millions of dollars worth of Bank Stationery and shipped this great volume to every State in the Country.

We sell by Mail, ONLY. You sense the incident economy immediately, of course.

ARTHUR THOMPSON & CO. BALTIMORE, MD. U. S. A.

Write, Wire or Phone for Samples ... You'll Be Glad You Did.



#### WARTIME MAIL MUST GO THROUGH-FASTER

NPM representatives are on the job to see that there are no delays in your mailroom to hold up the delivery of vital wartime correspondence. Count on them to render Complete Mailroom Service.

#### MODERN MAILING MACHINES

THE NPM METERED MAIL SYSTEM POSTAL AND PARCEL POST SCALES LETTER OPENERS-ENVELOPE SEALERS NPM MULTIPOST STAMP AFFIXERS

ROCHESTER, NEW YORK

NATIONAL POSTAL METER COMPANY, INC. SERVING AMERICAN BANKERS

## Congratulations

... To the Members of The American Bankers Association for the cooperative spirit shown in cancelling the annual ABA Convention in deference to the policies of the Director of Defense Transportation.

... To "Banking" for the farsightedness it has shown by substituting the printed page for the convention platform.



INTERNATIONAL BUSINESS MACHINES CORPORATION



This is our third war since 1871—and the makers of La Monte Safety Paper are proud to be serving America, today—as never before. ».» Many may wonder how vital a part Check Paper plays in the winning of a war. Think for a minute of what goes on behind the battle lines, in the field of production. Just as our standing army has been increased from thousands to a war-time strength of millions—everything here is multiplied enormously—men, materials and "output" reaching staggering figures. » » All this must be paid for

— with checks used in over 90% of these transactions. » » And since La Monte Safety Paper is regarded as America's outstanding Check Paper—being preferred by leading banks, business houses and many departments of our Federal and State Governments—our product is, today, more in demand than ever. » » These are times when everyone must safeguard against loss . . . delays . . . confusion. Are your checks fully protected? Ask your lithographer or printer to show you samples of La Monte Safety Papers.



LA MONTE Safety PAPER

GEORGE LA MONTE & SON Nutrey Vour jossey 1871

#### SERVICE AND EQUIPMENT—Continued

#### Protective measures important . . .

THE protection of vital financial records against the hazards of bombing and sabotage is Recordak's important contribution to the wartime operation of the nation's banks.

Since December last, banks, business organizations and industrial concerns—particularly those located along the seaboards—have turned more and more to Recordak microfilming as a practical safeguard of important and voluminous files and records. The compact "files on film" are more readily stored in places less vunerable to air-raid destruction as was shown in the Battle of Britain.

As a further measure of protection many banks have made reciprocal arrangements with inland correspondents for storing copies of each other's films. Thus, should the originals be damaged or destroyed, duplicate photographically accurate sets are available to replace the loss.

Other institutions are offering the use of Recordak equipment to customers as a special emergency service feature, the files being later stored in safe deposit vaults.

Because wartime production has placed many limitations on the manufacture and distribution of office equipment, Recordak, like other firms, has been unable to deliver on numerous back orders placed during the emergency period. But to provide institutions an alternative service the company has established Customer Service Departments in 16 branch offices throughout the country. Records are either brought or expressed to the nearest office for film recording by experienced experts.

This service has relieved the congestion of work caused by the lack of machines for individual use.

## Service training for woman-power . . .

The problem of supplying "service-manpower" to meet the wartime needs of machine maintenance is being met by the International Business Machines Corporation with an intensive educational program at the IBM schoolhouse at Endicott, New York. Current sessions include after-hour classes for factory employees, training in systems service for young college women; customer engineering, extension courses for field offices, research in future market requirements, and extensive training of machine operators.

Expert instruction, individual demonstrations and practice speed the training of summer school students at the IBM School, Endicott, New York



The Summer session for factory employees has a new all-time record enrolment of 1,368 students—a whole new corps of future "service men" and operators to fill the places vacated by the draft.

Since 1935, when Thomas J. Watson, president of IBM, opened a new career field for women by forming the first class of instruction for systems service women, the company has annually conducted three months' courses in which selected groups of young college women learn the installation of electric accounting machines, the accounting applications of the machines, and the training of operators. The present class is composed of 79 young college graduates of 56 colleges and universities who come from 26 states, Canada and Argentina.

The school has offered special sessions for bank employees operating IBM machines.

The department of logistics of IBM recently inaugurated a war accounting service as an aid to management in meeting the accounting and statistical requirements of various governmental agencies. The service takes the form of regularly published bulletins which propose to condense the various laws, or regulations affecting important industries by placing the accounting and statistical requirements in the foreground. Special editions will be released also on other current topics.

## Help for your public relations program . . .

The high spot in the Todd Company's wartime service is a plan to help banks earn more goodwill by suggesting a cure for their customers' payroll problems via the ABC System and Form-Master. Payroll experts working with banks diagnose local situations, help meet record-keeping requirements of wage and hour division and other government agencies, cut payroll post-

ing time in half and avoid penalties and unfavorable publicity.

Todd's research department is devoted to creating and installing business building plans and aids for bank customers. This program is supported by increased representation from the home office. It includes a popular film short, "Selling Your Bank" for employee groups, and a booklet, "Better Bank Letters," containing 28 practical suggestions to foster goodwill. This piece has been sent gratis to banks.

The priorities problem of Wire-o checkbook bindings has been solved by redesigning so that one-third of the material is required.

Pay-as-you-go check systems are developing new markets over the country and meeting the new profit requirements on present lower earnings.

The machine division of Todd, while devoting more than the normal total production to Army, Navy and munitions, focuses field attention to servicing Protectograph Check Writers and Sign ers to make them last for the duration.

## Wartime reaction and the new business question . . .

AFTER 44 years of service the Purse Company of Chattanooga, Tennessee, continues to view the future of trust service as an undeveloped field of banking which offers definite opportunities for growth.

Wartime reaction bears strongly on the new business question. Reports from reliable sources indicate that there has been a tremendous increase in Great Britain in wills drawn under which trust institutions are named.

Summarizing its national experience, the Purse Company claims there is a growing determination on the part of bankers to plan for trust development now. More bank presidents are helping produce new business.

(CONTINUED ON PAGE 78)



## A RESERVOIR OF FIGURE PRODUCTION TO LAST FOR THE DURATION

Stop and think for a minute what an invaluable asset you have in your speedy, accurate Monroe machines—without them the tempo of your business would be slowed down to the danger point.

Remember that the supply of these machines is very limited—the steel, the skill, the man-power that makes them must go into war production for Victory.

Every Monroe machine was made to last for many years of steady, continuous figure production. Before your Monroes left our factory, they were subjected to every possible test. They are sturdy, precision-made tools that are vitally necessary to your business.

Monroe puts at your disposal the means of caring for your Monroe equipment so that it will carry on dependably and accurately for the duration.



## A NATION-WIDE SERVICE ORGANIZATION AS NEAR AS YOUR TELEPHONE

Monroe service is rendered through a nation-wide organization owned and operated by the Monroe Company—for that reason we can assume the responsibility of keeping your Monroe equipment efficiently at work.

We offer every Monroe user these definite services:

Expert analysis of your figure work and your forms so that you may get the utmost value of Monroe short-cut methods, in order to reduce idle time to a minimum.

Mechanical service on a Guaranteed Maintenance basis at nominal cost. Your Monroes are placed in charge of a factory-trained specialist, who uses genuine Monroe parts, and whose duty it is to inspect your Monroe machines regularly and keep them operating efficiently.

Call your nearest Monroe branch or write us for full details of the Monroe Guaranteed Maintenance Plan.

MONROE CALCULATING MACHINE COMPANY, Inc.
ORANGE, NEW JERSEY







MONROE BOOKKEEPING MACHINE

**MONROE** 

MACHINES FOR CALCULATING,
ADDING, BOOKKEEPING
AND CHECKWRITING

## SERVICE AND EQUIP- made necessary by accident, fire, or any other reason, are made without extra

## Relocation of idle machines helps the war effort . .

.Dictaphone Corporation—likewise affected by manufacturing restrictions and preference rated sales—makes a straightforward appeal to bankers and businessmen for all-out cooperation on a program of maintenance and conservation of present equipment.

Since, in most cases, present instruments must last for the duration, Dictaphone has streamlined maintenance to a monthly inspection service with a guarantee of 30 days of efficient, uninterrupted service. Emergency calls, if

#### NO FILE SHORTAGE IF YOU TRANSFER YOUR INACTIVE RECORDS TO THESE LOWEST PRICE FIBRE BOARD UNITS

METAL HANDLES OR WEB PULLS



60 Standard Sizes

Plus special sizes to your own dimensions

Green Money — Buy Direct — Bulletin Free

C. F. KAPPES, Manufacturer

59 So. 15th Street

PITTSBURGH, PA.



as recommended by

#### BANK MANAGEMENT COMMISSION AMERICAN BANKERS ASSOCIATION

in its

"Simplified Banking Forms and Procedure"

Start now to reduce operating costs, loss of time and labor...end waste of unused and unnecessary forms. Use Simplified Banking Forms as developed by the Bank Management Commission through careful planning and experience. Now available in quantities you use, at savings made possible by volume production. Write today for free catalog, samples and prices.

BANK SPECIALTIES COMPANY
PRINTERS
110 W. Herrison Street, EHICAGO

made necessary by accident, fire, or any other reason, are made without extra charge. The plan also includes service and operation surveys, help in breaking in new users, inventory systems for supplies, etc.

The second major feature of its wartime policy is called the Relocation Service. Dictaphone makes a standing offer to buy back all idle instruments at appraised values for reconditioning and resale to firms whose equipment is inadequate to handle the wartime load of dictation and correspondence.

For banks which are now tackling the problem of training new employees, Dictaphone offers a release of two educational films on the use and application of equipment. Amusing, human, instructive-the background stories of both films touch upon some everyday problems and people in an average office and makes a real contribution to the important subjects of personnel relations and office management, and salesmanship. The titles are "What's An Office Anyway?" and "Two Salesmen In Search of An Order." Group showing may be arranged by writing Dictaphone Corporation, New York City, or through local representatives.

#### Hasten the post . . .

Now, when the need for speed is of prime importance, the National Postal Meter Company, Inc., offers a complete mailroom service. NPM representatives in more than 40 cities are making it their wartime job to see that costly bottlenecks are eliminated in mailrooms. Banks experiencing delays in the dispatch of incoming and outgoing mail are invited to avail themselves of this service.

The originators of the metered mail system have now added other types of machines for every mailroom need. Included in the current line are hand-operated and electric letter openers that speed up office operations at the beginning of the day, and sealing machines to hasten the post at the close of business. There is also the Multipost stamp affixer that double times the output of mail and which protects postage stamps from loss or damage.

Of especial interest to many bankers is the new line of postage computing scales for regular and parcel post mailings. These are now on the market in two models: the Model 100 Postal Scale and Model 970 Parcel Post Scale. They are precision devices which not only give accurate weight but also indicate instantly correct postage for any class, weight and zone on easy-to-read charts.

#### Protect the

#### intensified loan risks . . .

In defining the crux of the present situation on the guarantee of accounts receivable, the American Credit Indemnity Company of New York points to the quick conversion of American industry from civilian to war production and the entirely new problems this creates for banks and creditors alike. Under the present setup relatively few firms are prime contractors selling to the Government, but from these stem a multitude of sub-contractors who have now acquired a group of customers with whom they have had no previous experience. Consequently, instead of doing business with an old customer, it is essential to determine the credit responsibility of a new customer engaged, in many instances, in an unfamiliar type of business.

The creditor sub-contractor has another difficulty also related to this condition. If he refuses credit to a prime contractor, or to another sub-contractor, he must be prepared to prove to the Government's satisfaction that his refusal is entirely justified.

This analysis, applied to bank wartime lending, shows the importance of indemnity.

(CONTINUED ON PAGE 82)



"Investment income down—loans decreasing—what's the answer for our bank?"

"Develop trust business—and now, with people more than ever concerned about their families' future, well-planned trust advertising is a MUST for every bank."

From coast to coast, Purse service is helping banks to make the most of this opportunity. It can be adapted to your market and your budget. Write for information.

#### The PURSE Company

Chattanooga, Tennessee

Headquarters for Trust Advertising

## CONTACTS

It begins to look as though we are going to experience some difficulty in maintaining personal contacts. Up to the present time, we have been able to get around the territory conveniently enough even though many of our men have had to take on additional work. As time goes on, however, we will have to depend more and more upon the printed word to carry our message and we will face competition for reader interest which will be a challenge to us to make our communications as informative as possible. We hope that in this respect we will be able to qualify.

The editorial staff of BANKING is doing a remarkably fine job in taking this year's conference into your offices and homes. We are pleased to have the opportunity of expressing to you all through this medium our sincere appreciation for your patronage and especially for your friendliness and cooperation. The presence of our people at your conferences in the past has kept them attuned to the thinking of the banking fraternity and their personal contacts with you have provided the thoughts that have enabled us to keep our merchandising program

up to the minute and paced to your needs. Now, we face a real problem because we won't have as many opportunities to sit down and exchange ideas, but we will do the best we can through other means of communication. Right now we are endeavoring to adapt the use of our product to the banks' need for increasing service charge revenue, reducing costs, and stepping up their merchandising and customer relations activities. Our Personalized Check Plan appears to be catching hold. More and more banks are finding it a money saver, as well as a splendid customer relations activity, and of great assistance in sorting and filing within the banks. The sale of bank Money Orders is improving because of the great shifting army of workers who do not now have checking accounts but who must continually transfer funds. We are enlarging our offering of publicity material and sales helps on both of these items and we are securing each day more factual information that will help banks reduce their costs and improve their revenue.

In January of this year, our advertisement in this publication stated that we held a strong conviction that there would be no restrictions placed upon the use of bank checks and that we were approaching the new year confident that our standards of service would be maintained and, further, that we expected to serve

even more banks this year than
ever before. We reaffirm these
statements now and we hope it
will not be long before we
again have the privilege of
greeting you personally at another A.B.A. Convention.

Manufacturing Plants at . NEW YORK CLEVELAND CHICAGO KANSAS CITY ST. LOUIS



#### ON BUSINESS MACHINES AND OFFICE EQUIPMENT

ADDING, BOOKKEEPING, CALCULATING, PUNCHED-CARD ACCOUNTING and TABU-

LATING MACHINES are under Government restriction orders. Bankers must make their present equipment last the duration. Here's how Remington Rand can help see you through: a. MECHANICAL service at all Remington Rand offices is by factory-trained, experienced schooled in precision workmanship, qualified



to clean, lubricate, adjust and replace worn parts in your business machines to performance of highest accuracy. One-Year and Three-Year Maintenance Agreements assure uninterrupted use in handling of

regular work, as well as bond and tax records. b. BUSI-NESS MACHINE ADVISORY service, in the war emergency,

shows graphically equipment through local office will retailored to your

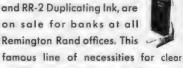


how to get more production from your present its adaptation to coming needs. A call to our sult in thorough survey with recommendation own accounting and bookkeeping problems.

TYPEWRITERS, Standard, Noiseless and Portable, also under Government restriction orders. Remington's Typewriter Conservation Plan provides all-out aid to Banks to "Keep 'em Typing." a. MECHANICAL survey of the condition of your machines made with recommendations to prolong machine life. One-Year Service Agreement puts typewriters under expert care, assures continued production of vital written material, b. LECTURE DEMONSTRA-TION TO OPERATORS to point out how typists can help conserve their machines from day to day, from week to week. Folder to fit shorthand notebook left as daily reminder of what should be done. c. ADVISORY service on typewriter production as well as short cut instruction saves time, speeds written material to its goal. The Remington Typewriter Conservation Plan has been approved by Donald M. Nelson, Chairman of the War Production Board, and presented to over 10,000 Government typists in Washington with outstanding success. Give your typewriters and typists the benefit of Remington's 68 years of leadership with your own conservation effort now. No obligation.

DUPLICATOR SUP-PLIES, including RR-2

Stencils, RR-2 Correction Fluid and RR-2 Duplicating Ink, are on sale for banks at all Remington Rand offices. This



In

M

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fic

duplication of all types of material saves time and labor when it's needed most - today. Secreterial Line-A-Time Copy Holders

not available in order to release vital metal for war production.



for all types of business machines and

typewriters continue to hold their position as the quality supplies of today. Banks may purchase from local office stocks to assure clean

and clear figure work with large demands to the armed forces given preference.





REMINGTON RAND SERVICE STATIONS IN ALL PRINCIPAL CITIES

## FORMER STEEL FILES, CABINETS, FURNITURE, TRANSFER CASES, KARDEX and KOLECT-A-MATIC NOW AVAILABLE IN WOOD comprise the finest alternate line

in the nation today. Remington Rand resourcefully adapts this line in the war emergency to perform the same efficient operation as their predecessors in steel . . . in WOOD! Each product finished in business-like olive green — to match your present equipment. Remington Rand's large line of paper items — forms, filing systems, continue to furnish banks with increased quantities to meet

Safe-Files and Safe-Cabinets not obtainable with no alternates so as to re-

the expanded needs of today. lease steel for war production.

\$ \$ \$ \$ \$

#### INSTALLATION ADVISORY SERVICE ...

In view of today's changing picture, Remington Rand's regular Advisory Service on Business Methods and Equipment Arrangement is available for the asking. Thousands of concerns have found our recommendations sound and practical as in each case they are tailored to the specific requirements, elastic to change. Call our local office now. No obligation.



When the world is free, there will be more of the world famous Remington Rand products for the office. When Victory is won great strides will be made through research and engineering advancement to further the swift, efficient conduct of Banking in the United States and the World.

#### HERE'S OUR SCORE ON WAR PRODUCTION

In place of its line of regular products, Remington Rand is producing
more and more Armor-Piercing,
Anti-Aircraft Shells and Hamilton
Standard Propellers to help
knock the Luftwaffe out of
the sky; more and more Armor-

Piercing, Anti-Tank Shells to stop the Axis mechanized forces; and more and more Colt Automatic Revolvers
and other items to help equip
the United Nations with the best.
Our personnel, equipment and resources are dedicated to freeing
the world of aggression and terrorism and will remain so until a complete United Nations victory is won.

**REMINGTON RAND** 

BACK UP THE MEN' AT THE FRONT!
HELP SELL AND BUY MORE U. S. WAR SAVINGS BONDS AND STAMPS!

H

S

### KEEPING PACE

War economy has been a severe test on America's industrial forces. Many have successfully won the battle of conversion from the manufacture of peace time articles to mass production of war materials. Numerous others, however, have had their normal business drastically curtailed or interrupted by priorities in essential raw materials, labor problems, or distribution methods.

For many years we have specialized as consultants to industrial corporations on problems concerned with keeping pace with changing conditions adversely affecting business.

We shall be pleased to discuss how our facilities may be of aid in your specific problem.



CONSULTANTS
SURVEYS REPORTS
MANAGEMENT

20 Exchange Place, New York

#### GUARD AGAINST LOSS OF TIME AND PAPERS

Don't blame your secretary when she can't quickly find letters and papers in old-fashioned, disorderly files. Save time and temper, achieve accuracy, get real, smooth-running filing and finding efficiency by installing the new PENDAFLEX!

NO NEW CABINETS NEEDED. PENDAFLEX folders hang in place on simple frames that fit all standard file drawers. Because they hang, they can't slump. Perfect order means always visible tabs, transforming laborious searching to instant visible reference, eliminating most misfiling and losing of papers.

PENDAFLEX reduces filing and finding time 20%—a payroll saving that pays off the cost of changing to PENDAFLEX faster filing. Get the reasons why banks everywhere are speeding office efficiency with the new PENDAFLEX. Mail the coupon today!

FREE SAMPLE & BOOKLET-	-
------------------------	---

OXFORD FILING SUPPLY CO.

334 Morgan Ave., Brookityn, N. Y.

Send me FREE sample of your Oxford Pendaflex folder and new, illustrated, fact-full booklet: "How to Cut Filing Costs 20%." No obligation.

NAME.

BANK.

ADDRESS......

CITY.....STATE.....

#### SERVICE AND EQUIP-MENT—Continued

## Don't assume you can't get equipment until you try . . .

There are two ways in which an office equipment company, devoted to production of war material and of normal products for war purposes only, can serve its bank customers.

One is to supply the best service at its command—not only mechanical service, but help in getting the greatest possible use from existing equipment. The National Cash Register Company is maintaining its staff of factory-trained repair and maintenance men; the repair parts used are factory-made and of the same quality as heretofore. The services of its carefully trained systems men are available without charge to banks all over the country.

The second service is to supply such equipment to banks as is available. The rulings of WPB have required a cessation of construction of most equipment of specific utility for banking, but some new equipment, manufactured prior to the "freeze" may be available, such as bank proof machines. No bank which must conserve manpower and time should assume that it cannot obtain equipment until inquiry has been made.

### National Advisory Service for wartime needs . . .

To fill the gap in the curtailed production of voice-writing equipment as regulated by WPB, the Ediphone Division of Thomas A. Edison, Incorporated, has instituted a national advisory service for wartime needs. This program fits a group of factory services into a recommended plan of self-help for all users.

The efficient operation of present equipment—and whatever new units may be obtained under high preference rating—is assured by the following factory offer:

1. Numerous timely suggestions for executives and secretaries to increase their accomplishment with machines—saving time and effort.

2. Maintenance tips and help in the job of keeping present equipment at the peak of mechanical perfection.

3. Help in instructing the use of machines to new executives and secretaries, which may also entail a program of reallocating machines among departments on a "borrowing" basis to give maximum performance.

4. Assistance with transcribing personnel problems, insofar as local employment conditions permit.

5. Advice on inventory controls and recommended systems.

6. Complete maintenance service, and making available as many reconditioned instruments as possible.

Ediphone gives a more comprehensive outline of the benefits of the advisory service in a new 16-page booklet "Making Your Ediphone System Serve Your Wartime Needs."

### Maintenance saves the wear and tear on machines . . .

During the war period, while the products of Monroe Calculating Machine Company, Inc.,—calculating, adding and bookkeeping machines—are being exclusively supplied to the Army, Navy and war industries, it is highly important to adopt conservation measures and search out new applications.

Maintenance agreements, which include a stepped-up schedule of regular inspections, are essentially the insurance for longer machine life and peak efficiency.

Machine hours, no less than manhours, is a prime consideration today. Idle equipment is time lost. Maximum use of all machines can be accomplished by obtaining a full knowledge of the use and application of the equipment on all banking figure problems. This suggests an internal survey of available equipment, potential work production and operators available. Where the shortage falls upon lack of operators, Monroe's local offices will gladly furnish expert instruction for novices.

As an alternative for maintenance agreements, Monroe suggests a C.O.A. service, which entails dismantling and hand-cleaning motor and operating mechanisms, oiling and adjusting all moving parts for accuracy and alignment. Care of present equipment is a more essential wartime job.

(CONTINUED ON PAGE 84)

CONVERSION—Fingers skilled in assembling phonograph parts now work on plane control panels



BANKING

## There are plenty of cylinders for the

## BATTLE OF BRAINS



Because they are made entirely of non-critical materials, Dictaphone cylinders for dictating machines will

continue to be available for the duration. There is no need to hoard them.

This is good news, indeed, to executives who are using dictating machines to keep pace with the accelerated mental production required in today's battle of brains.

Dictaphone equipment likewise is still available. It has to be distributed with a greater sense of responsibility than formerly, but if you are an over-worked production executive trying to keep ahead of almost incredible volumes of work you owe it to yourself to get in touch with us.

In the Army, Navy and other vital war services Dictaphone equipment has shown itself indispensable to a variety of uses. Now, when all America is united in the greatest single task of all, the value of the Dictaphone Method is being proved as never before.

After the war is won we'll be ready to serve thousands of businessmen who by war necessity have learned the advantages of doing away with such handicapping habits as antiquated, time-wasting, twoperson dictation. Dictaphone Corporation, 420 Lexington Avenue, New York.







ACCURATE AS A TARGET RIFLE . . . fast-firing as a Garand . . . the U. S. Army's deadly new anti-aircraft guns are designed to take a terrible toll of enemy planes.

These guns are aimed and fired by remote control. The marksman simply sights and follows the target with a finder, and releases the trip mechanism which fires the gun. The gun barrel swings in unison with the aiming device.

To Dictaphone Corporation went the difficult task of making the precise and intricate control system—the brains of the mechanism. This device enables the guns to get into action with deadly accuracy and almost incredible speed, the instant the enemy is sighted.

Thus the skill and precision which have been developed in the manufacture of Dictaphone dictating machines have now been turned to make one of the Army's most complex mechanisms.

ALL DICTAPHONE ELECTRICORD' EQUIPMENT is designed or reserved for the armed services and their direct suppliers.

Today in airplane control centers are batteries of Dictaphone Electricord Belt Recorders which make permanent records of all flight instructions. Continuous recording is done on small flexible belts which are practically unbreakable, and which can be folded and filed away.

Another development is the Dictaphone Special Electricord recording-reproducing machine which records from electric communications equipment and is being made for the U.S. Army Signal Corps and other essential war services.

This special equipment for war use is typical of the developments of Dictaphone research which will be available for civilian use after the war is won.

\*The name Electricord, formerly Telecord, is now applied to Dictaphone equipment which is electrically amplified.

## ICTAPHONE ACOUSTICORD DICTATING EQUIPMENT

To the officers of A.B.A. member banks and trust companies in charge of director, stockholder and customer relations



BANKING. There in 24 pages is a story. The story of BANKS IN THE WAR. Reprints of this section are now available in booklet form. Many banks and trust companies are using these booklets as "war insurance" in their public relations program. Here is your opportunity to make reprints of this section available to influential members of your community. It is a fine springboard for your wartime public relations program. BANKS IN THE WAR is invaluable material. How many copies can you use?

#### Prices including shipping charges:

	10 copies\$	2.50	100 copies\$	20.00				
	25 copies	6.00	250 copies	48.00				
	50 copies	11.00	500 copies	90.00				
	75 copies	16.00	1000 copies	150.00				
Over 1000, additional copies121/2c per copy								

If you would like to have us imprint the copies you order with "Compliments of (the name of your bank or trust company)" there is a slight additional charge of only \$2.50—and this imprinting can be done only on quantities of 10 or more if your order is placed promptly.

The earlier we may know how many copies of BANKS IN THE WAR you need, the more rapidly we can complete the printing of this special reprint edition. This important compilation deserves wide distribution.

#### BANKING

22 East 40th Street

New York, N. Y.

## SERVICE AND EQUIP. MENT—Continued

#### Scrape the bottom for income . . .

DeLuxe Check Printers Inc., Chicago. describes its current program for banks as embracing the two responsibilities of new business building and customer relations. The current presentation is adapted to the situation of potentially lower bank operating incomes. It recommends, in short, an increase in bank service charges, where necessary, as checking accounts must not only pay their own way but in a measure offset the reduction of consumer credit and other income. Furthermore, it predicts a growing turnover in checking accounts which argues against waiting for the long pull to recover acquisition cost.

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I S

DeLuxe is also recommending wider use of personalized checks as a means of reducing check cost through a more efficient control of supplies for the individual account, and the speed-up of verifying signatures in sorting and filing. The firm also advocates consideration of money orders as a profitable nickel and dime revenue. The market for this service is seen in the current great shifts in population.

More aggressive merchandising and greater activity in the field of customer relations is further recommended as the best means of winning and holding new accounts and in scraping the bottom for income under present conditions.

#### New employees add new responsibilities

George H. La Monte & Son—suppliers of check safety paper—call attention to the fact that the dislocation of men and women in all branches of industry, with a more or less constant shifting of new employees to jobs of greater importance adds more and more responsibilities on the shoulder of the personnel manager and employer.

To the burden of breaking in new people, there's the additional task of acquainting these newcomers with each manufacturer's individual service or product.

This condition is signally applicable to the matter of checks and the inherent safeguards in safety papers against forgery and fraudulent alterations. The advantages need not only be explained to bank employees, but also the bank's customer employees who are likewise unacquainted with the subject. Such a gesture is bound to have a good public relations effect upon customers who may not be conscious of the liabilities.

#### SERVICE AND EQUIP-MENT—Continued

### Blanket bond costs at lowest point . .

In a recent message to bankers, the Fidelity and Deposit Company of Maryland recommended that they review their present dishonesty protection and obtain the advice of their insurance counselors as to what steps should be taken to bring their coverages in line with present conditions. In this connection, the company points out that a number of rate reductions in recent years have brought the cost of bankers blanket bonds to the lowest point in the history of this broad coverage.

In the opinion of the Fidelity and Deposit Company, banks undoubtedly stand in greater danger of large embezzlement losses today than at any time since the bull market of the late Twenties. Losses of trained and trustworthy personnel have been heavy and qualified replacements difficult to obtain. Rising living costs and envy of the substantial earnings of war workers provide added incentives to steal, while the shortcuts made necessary by the lack of adequate and experienced help have made it easier for tempted employees to take money and to cover up their peculations.

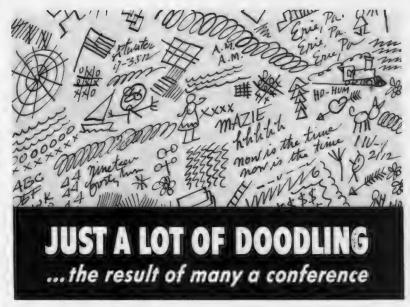
Similar conditions existed during the last war and the result was a sharp increase—both as to number and size—in employee defalcations. There is every reason to believe that today's conditions will bring about an even greater increase in dishonesty losses.

## What helps make the wheels of conservation go round . . .

The Ralph C. Coxhead Vari-Typer Corporation has launched a two-fold program designed to meet the new wartime demands. The company's facilities have been expanded for the efficient training of new operators for Vari-Typer composing machines and the training of installation men to show users how to speed up duplication work, and save time and paper.

The six major applications of this equipment to current bank work are: (1) forms of various types for outside and inter-office use, (2) directors' reports, (3) procedure or operating manuals, (4) interest rate charts, (5) real estate lists, (6) preparation of originals for general duplication work, and type arrangements for special bulletins.

(CONTINUED ON PAGE 87)



## by don herold

I have sat in many a business conference and wondered why 12 men in a room should so often add up dumber than any one of the 12.

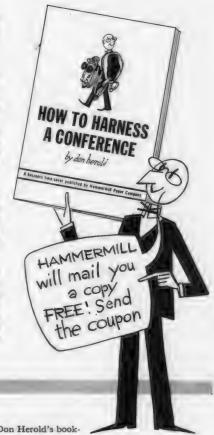
I hate most conferences.

So I was just the man for the Hammermill Paper Company to come to for help in writing the booklet, "How to Harness a Conference."

They already had most of the answers; what they wanted from me mostly was some emotional dressing and some literary salt and pepper.

Hammermill has developed, among other things, some smart ideas for printed forms which help keep a conference on the beam, get it down to brass tacks, and nail its results. Forms that cover every detail of a meeting: the date ... who was present ... what was decided ... who is to do what, and when ... who is to follow through.

If you'll read my booklet, and study the Hammermill forms, I believe fewer of your conferences will result in just a lot of aimless doodling and the accumulation of a pile of cigar and cigarette butts.



Hammermill Paper Co., Erie, Pa.

Please mail me, free, a copy of Don Herold's booklet, "HOW TO HARNESS A CONFERENCE."

P. S. to Hammermill: You might as well send me, at the same time and just as free, your new Reference File of Checks in bank and commercial sizes. CHECK

WIGH CANBRE PROTECTION

ANGEL PROTECTION

ANGEL PROTECTION

ANGEL PROTECTION





Fidelity, Surety and Bankers Blanket Bands: Burglary, Robbery, Forgery and Glass Insurance

DEDOSIT

WITH WHICH IS AFFILIATED THE AMERICAN BONDING COMPANY OF

#### SERVICE MENT—Continued

#### Field warehousing helps break credit bottlenecks . .

The present situation on field warehousing is described by E. A. Baker, vice-president, Douglas Guardian Warehouse Corporation:

"In a time of huge production such as now exists, the normal flow of raw materials, plant production, and delivery of finished products is upset in many ways. The call on the banker for credit accommodations is terrific and in many cases the usual basis for credit does not exist. Field warehousing is aiding the banker to find a basis for credit in breaking a great many of these bottlenecks, and thereby avoiding delays.

"As examples we might mention: The manufacturer who gets an entire month's materials in one avalanche instead of spread out over the month as ordered and planned for; goods that are ordered for government use but held for shipping instructions after completion; other goods that accumulate because freight cars cannot immediately be had. In these and dozens of other like situations. field warehousing (inventory financing) is enabling the banker to find the basis for credit. In most cities public warehouses are filled to the rafters. To release freight cars, incoming inventory can be stored under field warehousing custody, thus converting it into bankable collateral."

#### Pertinent suggestions for present equipment

While Burroughs Adding Machine Company is engaged in producing war materials as well as accounting machines authorized under limitation orders, the company is continuing its services to banks by:

(1) Aiding banks in obtaining any machine equipment they might be entitled to under limitation orders or machines not presently covered by these orders.

(2) Helping banks to meet changes in accounting requirements, increased volume, shortages of personnel, etc., even when machines are not available. through suggestions for improvements in methods, operator training, and other ideas that save time or effort in clerical routines. Of particular value in this respect is Burroughs' vast experience in bank work and the libraries of information Burroughs has built up relating to the handling of different bank work under any and all sorts of conditions in

AND EQUIP- banks of different sizes and varying

(3) Continuing its efficient mechanical service—highly regarded by banks throughout the years-to keep the banks' machines in the best possible operating condition.

Here are a few suggestions from Burroughs that will help you get the most out of present equipment:

Wherever possible, obtain statistics and figures for reports as a by-product of regular posting.

Post related records in combination. Change routines or methods to avoid any unnecessary rehandling of figures or records.

Study all office forms to find out whether any might be simplified or eliminated.

Relocate machines, or rearrange the flow of work to the machines, to speed production.

Make sure that operators are taking full advantage of short-cut operating methods and time-saving machine features.

Relieve skilled machine operators of non-posting work, such as pre-listing, stuffing, checking for errors, heading new accounts.

Keep machines always in the best possible operating condition.

#### A view of the market

for new business

J. K. Sinclaire, president, Kennedy Sinclaire, Inc., offers the following observations on the present-day opportunities for bank new business:

"In my opinion, present conditions offer banks an unusual opportunity for rendering increasingly valuable services to the country and to the public. However, banks, through their advertising, must create a demand for these services among the millions of people in this country who neither use nor understand them. These people, as well as those who are now customers, are perfectly willing to pay a reasonable price for any service the banks offer them, provided they are sold on the service. However, with the question of profitable sales in mind, banks must carefully examine the prices they are charging for these services. In many instances prices must be increased. This is especially true of checking service for, in addition to increasing the price, the banks must sell the value of the service to the

"War Bond sales bring new people into the banks. Ways and means can be found to stimulate these buyers of bonds to become customers of the bank.

"The War has also illustrated clearly the great value of trust service. Men of wealth on military duty need services of the trust department to keep their affairs in order. Executives, working and traveling all over the globe, likewise need an anchor for their personal finances in trust departments. All people of property urgently require thorough will revision to adjust their estate plans to radically different conditions, among which are increased estate taxes."

#### Insurance for

personal loan borrowers

As specialists in insurance protection on the lives of personal loan borrowers, The Credit Life Insurance Company of Springfield, Ohio, is particularly interested in the problem confronting banks in the extension of consumer credit.

The war effort and Regulation W have consistently increased the unit cost of handling small instalment loans. This situation makes it necessary for personal loan departments to hold losses at a minimum for the duration and serves to emphasize the value of life insurance protection on instalment loans.

The company writes several different plans of insurance coverage to meet the requirements under the various procedures that banks follow in making personal loans. In some cases the policies cover all personal loans at a flat monthly premium rate; in other instances the coverage is applied only to certain types of instalment accounts at a premium rate which covers the full term of the loan in advance. Total and permanent disability insurance is available as a supplementary part of life insurance and is becoming increasingly popular as the industrial activity of the country increases the probability of accident.

CONVERSION-The manufacture of recording devices has given way to airplane parts production in this Midwest plant



# "Cardineers speed finding of our Signature Cards by at least 50%" SAYS CITIZENS STATE BANK, HOUSTON, TEXAS



## Put Your Records "ON WHEELS" with either type of CARDINEER

DESK MODEL

Available in one and twowheel units for 1500 to 3000 records, Portable, Convenient.





FLOOR MODEL Holds up to 6000 records. Removable segments permit quick division of work. Portable.

The experience of this Texas banking institution is typical of many ways *Diebold Cardineers* speed up reference and posting operations, cut record-keeping costs and increase banking efficiency.

Signatures are filed on a number of Cardineer units, thereby dividing the records to correspond with the breakdown on ledgers. The rotary wheel exposes the entire record. Several operators have access to the record without interfering with others. Cardineers are easily carried into vault for fire and theft protection. Write for bulletin 1276 giving complete details of this installation.

DIEBOLD SAFE & LOCK CO. · Canton, Ohio

Branches and Dealers in Principal Cities and Towns

\* NATION-WIDE BANK VAULT INSPECTION SERVICE \*
METROPOLITAN AREAS IMMEDIATELY ... ANYWHERE IN 24 HOURS



RECORD SYSTEMS EQUIP-MENT, SAFES, MONEY CHESTS, BANK VAULTS. EXPERT REPAIR SERVICE Savinticipo wellparts only but o repli

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## BANKS AND WAR SAVINGS BONDS



Five key questions on the U.S. War Savings Bond campaign and bank participation in it were asked a group of well-known bankers located in various parts of the country. These men are not only practical bankers and trust officers but are skilled in public relations. Their replies are set forth here.

OUESTION 1: How can the present War Bond campaign of the Treasury be improved and made more effective? How can banks

ROD MACLEAN, Manager, Advertising & Publicity Department, California Bank, Los .Ingeles:



First, I believe there would be considerable psychological value in renaming the bonds "Victory Bonds." War, as a word, is static. Victory is a dynamic word. It has drive and force and inspiration. Particularly since the "V-for-Victory" campaign, the "V" symbol is a talisman for all of the peoples in the United Nations. It would seem to be obvious and sensible to profit by the publicity it has been given, the meaning it has for the democracies, the impetus it has already gathered.

Something the banks could do, individually or through their clearinghouse associations, state associations, or the American Bankers Association, would be to sponsor contests in the schoolsall the schools—as well as in professional artist ranks, for the development of poster designs advertising the bonds. The contest could be broken down into age or grade groups, possibly with a de-

one group could do an outdoor poster geles: design, another a car card design, a third a streetcar dash board card, etc.

Such a campaign could create a tremendous amount of favorable publicity for the War Bond campaign as well as for the sponsoring bank or group. The winning posters or reproductions of them could be assembled and sent around the country, being displayed in banks everywhere.

Such a campaign could be staged for anywhere from a three-month to a sixmonth period; could be advertised and would receive much publicity support from the press and other media employed for the advertising campaign. It would get a very large part of our population thinking about War Bonds (or, preferably, "Victory Bonds"). A second campaign for slogans could be run following completion of the poster contest (or concurrently with it), to set another group of the population thinking about War Bonds-and about banks. Another way in which banks can help the bond campaign is to adopt the plan used by the New York institutions of synchronizing their advertising efforts insofar as these relate to War Savings Bonds. The banks in that city, together with the savings and loan associations, fitted their War Bond advertising into an over-all schedule which avoided duplication, got advertising into the papers on a planned and regular basis.

Billboard-First National Bank of Chicago likes the Victory slogan



sign for a particular purpose being the ALLAN HERRICK, advertising manager, problem for each separate group, i.e., Security-First National Bank, Los An-



Hasten the ceiling on food prices, A survey made for us a few weeks ago showed that the purchase of War Bonds is a secondary, not primary, objective in the average home. Getting enough money together to meet a 20 per cent increase in the cost of living is the primary task. The purchase of bonds comes next. Nearly one-third of the average family budget goes for food, and with food prices skyrocketing, father keeps one foot on base. He buys bonds sparingly. He will change, and Series E will soar, when food price stabilization receives major attention.

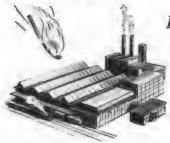
Fix and publicize the new tax payments. Volume saving in this country comes largely from people earning \$3,500 a year and over. This group is highly vulnerable under the new tax program. Many hesitate to buy bonds until certain of what their tax liability will be. Prompt publication of rates under the new tax law, and illustrations of their effect upon each income group, are highly important. Sales of Series F and G bonds will be unsatisfactory until this problem is disposed of.

Give the Treasury a reasonable advertising budget. The spectacle of the Treasury staff going about begging private business for funds with which to publicize the War Bonds is pitiable. Why should the Treasury promotion

(CONTINUED ON PAGE 91)



## Be Patriotic! Be Careful!



Carelessness with fire can serve our enemies just as well as sabotage or hombing raids. Production time lost now can never be made up. Don't give fire a chance. Be Careful!



Get in the scrap for Victory. Everybody has some scrap metal, scrap rubber or old rags—all needed to help win this war. Collect your scrap—get it to your local salvage committee.

Every careless act throws a monkey wrench in our war machine!

With America fighting for survival, any loss of man-power—through accidents—delays Victory as certainly as a defeat in battle. Last year accidental deaths in the 20-45 year bracket alone totaled 26,000—equal to the destruction of nearly two army divisions.

This frightful loss must be stopped. And it can be. For accident prevention studies show that 3 out of 4 accidents should never happen—they're the result of *carelessness!* 

It's high-time for every one of us to fight carelessness in ourselves and in others—to stamp it out wherever we find it.

Your Hartford Insurance Agent or your broker can obtain valuable advice for you on how to prevent accidents and fires. He can also build a sound program of insurance to protect you against serious financial loss.

Keep 'em Flying!



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He's no sissy for wearing a "tin hat."
And neither is the factory worker who obeys orders to wear safety goggles, safety shoes, rubber gloves or other protective clothing. Be Careful!



To protect yourself against fire, accidents and the financial losses they can cause, call Western Union, or Canadian National Telegraphs, and ask for the name of the nearest Hartford Insurance Agent. Or talk to your broker.

## HARTFORD INSURANCE

Hartford Fire Insurance Company . Hartford Accident and Indemnity Company,

THE TWO HARTFORDS WRITE PRACTICALLY EVERY FORM OF INSURANCE EXCEPT LIFE



HARTFORD, CONNECTICUT

#### WAR BONDS—Continued

staff be in the position of mendicants seeking alms? Why should these men not have all the money needed to move the War Bonds in the tremendous amounts required? Seven years as advertising manager of a bond firm taught me that no security on earth is good enough to sell itself. A 10-fold increase in the Treasury's promotion expense may be necessary to move these securities, but what of it? If the campaign fails, it will do no good to brag that selling costs were only one-tenth of 1 per cent.

Employ an art director. We have just closed an exhibit of British and American war posters in our head office lobby. The American posters suffered greatly in comparison. Beside the beautiful art and high grade lithography of the British entries, ours looked like the work of amateurs. Are we buying the best art in the world to sell these bonds? Why not?

Buy paid space as needed. The Treasury advertising staff must be permitted to set up its campaigns with the free dom that any other advertising staff has-including the selection of the necessary mediums, in the right places, and at the right times, to do the most good. When that privilege is denied, you get an uncoordinated, scattered, ineffective campaign galloping off in all directions, to the harm of everyone. The argument that the Government cannot use paid space is refuted by the position of the British Government as one of the largest buyers of such space in the world. The Government need not use every advertising medium because it uses one.

Let's just sell the bonds. All manner of discussion has been had with respect to the place of these bonds in the changing economy of the country. Why not omit this discussion for the time being

Lobby, Farmers' Deposit National Bank of Pittsburgh, features "Old Glory" with the American Eagle



September 1942

an

and just offer the securities for sale as the prime investment they are? They are good bonds, the general obligation of the strongest nation on earth, the one with most respect for its signature.

LEWIS F. GORDON, assistant vice-president, Citizens and Southern National Bank, Atlanta, Georgia:



In many respects the campaign lacks color. It is predicated in the main on logic, fact, economics, and thrift. You can move a hundred people with emotion for one moved by logic and reason. For many people the war is too remote and only the emotional appeal will bring it closer. This is not theory. In our own War Bond promotion we have deliberately inserted the emotional note and found a marked reaction not only in the increased sale of bonds, but in the public comment regarding our effort.

One public reaction which we have definitely checked is that people are becoming calloused to the repeated call of "Buy War Bonds." It is being hurled at them on every side, without color, and like the little boy who cried "wolf" too many times, the call is becoming commonplace.

QUESTION 2: How can banks get more public and governmental recognition for their bond sale effort, selling some 85 per cent of all bonds?

Mr. Gordon:

In some respects color is the answer to this question also. If people and the Government are made vividly conscious of the efforts which the banks are making to sell War Bonds then credit will naturally follow. Local publicity by the banks, collective publicity such as the A.B.A. has set forth—compilation of material, facts, and statistics—should be made by the separate banks and by the A.B.A. and made manifest to government officials and the public. Moreover, it should all be preserved. It may be very significant to chartered banking in the future.

QUESTION 3: What can banks do to overcome the impression that they receive a commission or some other form of profit for selling War Savings Bonds?

Mr. Gordon:

Find a way to tell people, not boastfully but as a simple statement of fact. For example, we have been running a continuous campaign on behalf of defense and war since July 1941, using space in 16 newspapers a week. Recently we ran a message headed "A Bank Goes to War." One paragraph read: We are spending more than \$100 a day to sell War Savings Bonds without one cent of compensation. Thousands of dollars of War Bonds and Stamps sold daily are our compensation.

We had definite public reaction, many people commenting in surprise and favorably about this great contribution to the war effort. The great weakness of bank public relations for years has been the tendency to take entirely too much for granted with respect to public understanding and appreciation of many forms of bank service.

QUESTION 4: How can banks increase the sale of F and G bonds?

DALE BROWN, Assistant vice-president, The National City Bank, Cleveland:



Quite recently there has been organized a Victory Fund Committee in each Federal Reserve district and similar committees covering lesser areas. The members of these committees are trained commercial and investment bankers who know how to market securities. It would seem that the best way to increase the sale of F and G bonds, as well as all other government issues, should be left to the aggressiveness of these committees throughout the nation. In general, the commercial bankers on these committees should solicit the corporations, and the investment bankers should solicit individuals.

Banks can best cooperate with the work of these committees by doing two things: First, each bank should study its own investment position during the probable war period, so that it will know how much to buy as new issues come on the market. Most banks will be surprised at the extent to which their bond

purchases must increase. Second, the nue of cooperation for the sale of all TOWNER PHELAN, vice-president, St. larger city banks should render every possible assistance to the smaller banks so that they too will become conscious of the fact that it will be necessary for them to absorb a much larger proportion of government issues as the war progresses than they had anticipated.

It would be unwise for commercial banks to organize separate campaigns for the sale of F and G bonds in view of the fact that we already have state committees charged with the responsibility of merchandising all the three Series E, F, and G, and in view of the fact that Victory Fund committees offer an avegovernment issues.

MR. MACLEAN:

By additional advertising to prospective buyers. Most bank advertising on behalf of War Savings Bonds has not specified the series and has been directed at the mass market. The mass market naturally buys the E bonds which were designed for them. F and G bonds are designed for specific purposes and for specific groups of investors. By reaching these groups with messages outlining the merits of the F and G series bonds, sales should increase.

Louis Union Trust Company, St. Louis:

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Banks, particularly banks with trust departments, can do much to promote the increased sale of F and G War Savings Bonds. The opportunity of commercial banks to promote the sale of these bonds is more limited than that of institutions engaged in the trust business. Trust institutions can set a good example by buying F and G War Savings Bonds in substantial amounts for their trust accounts and nothing that they can say about the bonds will carry as much weight with the investing public as the example which they can set by their own purchases. Although commercial banks cannot stimulate the sale of War Savings Bonds by their own example, all banks can recommend them to their customers and point out their merits in their advertising.

In my opinion, banks can do more to promote the sale of bonds by emphasizing the unusual investment attractiveness of such bonds than they can by basing their appeal on patriotism. Undoubtedly, patriotism is one of the strongest forces behind the sale of such bonds, but the patriotic theme is receiving so much emphasis from other sources that the banks could add little to its effectiveness by adding their voices to the "Help Win the War"

The very fact that the patriotic motive has received so much attention is the best reason why the banks should place their emphasis upon the investment characteristics of these bonds. In view of the fact that F and G bonds are intended primarily for larger investors who presumably are more sophisticated financially than the smaller investors, it would seem particularly appropriate for banks to feature the investment advantages of these securities.

My own institution has thought so well of the investment merits of Defense and War Savings Bonds that it purchased for its trust and agency customers approximately 8 per cent of the total amount of such bonds of all series



sold in the Eighth Federal Reserve District during the first year such bonds were on sale. We have done so, not to indulge in vicarious patriotism but because we rate the bonds so highly from the investment standpoint.

If banks, by their own example, in making large scale purchases for trust accounts, and by their advertising and recommendations, will acquaint the investing public with the unusual investment merits of War Savings Bonds, it should greatly stimulate the increased sale of such bonds.

JOHN KINNEMAN JR., vice-president, Peoples-Pittsburgh Trust Company, Pittsburgh:

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It seems to me that much more aggressive promotion should be put behind F and G bonds, whose buyers are not limited to \$5,000 worth in any one year. Following are some suggestions:

Direct an F and G bond sales campaign to the men and women with idle money—those who have carried large bank balances for years; those with newly acquired "folding" money.

Sell the F and G bonds like furs, diamonds and insurance policies—with promotional material that attracts attention and selfish interest, then makes people get up and do something about it

A recent Treasury pamphlet, largely devoted to Series F and G, was unhandy to use, contained such small type that it was hard to read, had little or no eyeappeal, contained only one reasonand it was poorly stated-why F and G bonds are good buys. In contrast, promotional material should really highlight the safety of F and G bonds as an investment, and G bonds as a source of regular income. The buyer should be made to appreciate that, unlike other United States bonds, F and G bonds as well as E, do not fluctuate in market value. And, although the buyer need not worry about fluctuation, he earns almost the same rate of interest as he would from other U.S. bonds.

Without detracting in the least from the present policy of selling bonds to

## THE PUBLIC NATIONAL BANK AND TRUST COMPANY OF NEW YORK



37 Broad St.

#### Main Office

## CONDENSED STATEMENT OF CONDITION

at the close of business, June 30, 1942

#### RESOURCES

Cash and Due from Banks	\$60,920,991.73
U. S. Government Obligations	56,207,501.40
State, Municipal and Corporate Bonds.	8,757,336.47
Loans and Discounts	82,312,269.55
Customers' Liability under Acceptances	362,818.16
Banking Houses	2,182,514.29
Other Real Estate Owned	100,143.66
Federal Reserve Bank Stock	420,000.00
Accrued Interest Receivable	210,601.10
Other Assets	68,487.35
TOTAL	\$211,542,663.71

#### LIABILITIES

Capital \$7,000,000.00	
Surplus 7.000,000.00	
Undivided Profits 4,322,863.47	\$18,322,863.47
Dividend Payable July 1, 1942	150,000.00
Unearned Discount	389,076.76
Reserved for Interest, Taxes, Contingencies	1,940,114.81
Acceptances Outstanding . \$1,189,079.28	
Less: Own in Portfolio . 644,164.63	. 544,914.65
Other Liabilities	111,599.19
Deposits	190,084,094.83
TOTAL	11,542,663.71

Securities with a book value of \$11,763,624.59 in the above statement are pledged to secure public and trust deposits and for other purposes required or permitted by law.

MEMBER: N. Y. CLEARING HOUSE ASSOCIATION • FEDERAL RESERVE SYSTEM FEDERAL DEPOSIT INSURANCE CORPORATION

30 Offices Located Throughout Greater New York

"Win the War," "Keep 'Em Rolling,"
"Slap a Jap," etc., I believe that the promotion of the F and G series should capitalize on the jittery fear of postwar depression. It can be clearly shown that by buying bonds today we are beating the threat of a depression after the war. As the Aluminum Company of America says in its latest newspaper ad, "Buy Your Tomorrow Today."

Another sales point on the G series was almost lost in the Treasury folder. The point—a G bond may be redeemed before maturity, at par, without adjustment of prior interest paid, upon death of owner or co-owner.

What I have said applies to promotion. In addition, I feel that the sale of F and G bonds might be stepped up, if the division of responsibility for their sale between the Treasury Department and Federal Reserve Board were lessened.

Two other factors which obviously have hurt the sale of F and G bonds are the threat of forced War Bond buying later on—with the chief burden on the well-to-do, and the uncertainty about the provisions of the new tax law.

before maturity, at par, without adjustment of prior interest paid, upon death of owner or co-owner.

I think the banks have done a first-rate job of working with the Treasury and the Federal Reserve Board. Nat-

urally they would make excellent distribution points for promotional material designed to push the F and G series. Mi

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Banks also can go and have gone directly to their big depositors to ask them to buy F and G bonds. Obviously, there is some risk involved in doing this. By telling a customer to withdraw his money after encouraging him to put it in, you run the risk of offending him as well as of depleting your own reserves. However, the latter risk is of less significance today when bank deposits are rising.

QUESTION 5: What policies should banks adopt toward charging for the redemption of War Bonds? Should they provide free facilities for safekeeping the bonds?

#### MR. BROWN:

There has been some discussion in recent weeks concerning making a redemption charge to holders who must cash in on their bonds. This is no problem to banks located in cities where there is a Federal Reserve bank, because those who wish to redeem the bonds can be sent there for the redemption. The problem can become a serious one in towns where there is no Federal Reserve bank. However, banks should refrain from making such charges until there has been a general agreement on policy between the banking system and the Treasury. Without such a uniform policy, holders who wish to redeem will be placed under a penalty in one section and under no penalty in another.

The question of free safekeeping for bonds has been a troublesome one; however, the policy should be uniform in any given community. It should be assumed that purchasers should pay the nominal rental required by safe deposit departments, because the facilities rented can be used for storage of the bonds as well as many other purposes.

Bank Building—First National Bank of Good Thunder, Minnesota, uses a "lifesize" "V"





## BANCO DE CREDITO DEL PERU

HEAD OFFICE: LIMA

Capital S/.14,000,000.00 Reserves S/.16,457,759.44

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Through our 33 Branches situated in the most important commercial centres, and our Agents in all other towns in the Republic, we are in close touch with every phase of economic activity in Peru, and thus are well equipped to render helpful service to all American institutions interested in Peru.



Peru's Oldest National Commercial Bank Established in 1889

.....

MR. KINNEMAN:

Although strongly advocating that banks do their utmost to promote the sale of bonds, I certainly am not suggesting that they do it for nothing. The Government has not asked other businesses to accommodate the war by working for nothing. It knows banks cannot be an exception if they are to stay in business. Mr. Eccles has told banks they must depend on service charges for a fair portion of their total income. Accordingly, I think that banks should charge for the redemption as well as the safekeeping of bonds.

MR. MACLEAN:

The California Bankers Association has already arrived at the conclusion and recommended that its members charge 10 cents per bond, minimum charge 50 cents, for redemption of War Bonds, and we are in accord with and are acting upon this recommendation.

The matter of providing free facilities for safekeeping the bonds has not become a problem in our community. We feel that everyone should have a safe deposit box in which to protect his papers and other valuables and that War Bonds belong in a safe deposit box along with those other valuables. The Federal Reserve banks are providing free safekeeping facilities where this is requested. I am inclined to feel that banks are already doing their share of the war job by handling the sale of these bonds without compensation and that, since no need for free safekeeping facilities has made itself felt, we should proceed upon our present course. In a recent booklet, the Treasury Department pointed out that even if the bonds are lost or stolen the owner is protected by the registration and has no cause for

Mr. Gordon:

Reversing the order of these questions, the answer to part two is "Definitely, No!" Banks already give away too much free service with the excuse that it builds goodwill. One of the large

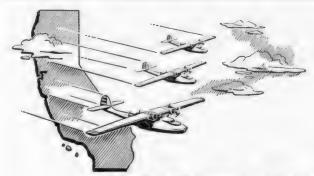
Billboard—Citizens National Trust and Savings Bank of Los Angeles also uses the Victory slogan



September 1942

Floats—one of the most effective ways banks have found for promoting War Bonds has been the use of floats in parades. Here is a particularly attractive float sponsored by the Paterson (New Jersey) Savings Institution in a recent parade to stimulate the sale of War Bonds in the Paterson area





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To its correspondents, Bank of America has long afforded a statewide service for the efficient handling of all California transactions.

But today as California takes its place as one of the greatest "Arsenals of Democracy," Bank of America service offers even more to you and your customers.

The 495 branches of this bank have intimate customer relationships with the men who direct the vast war efforts of California business, industry and agriculture.

Bank of America serves all of California, and it can serve you and your customers anywhere in California.

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NATIONAL TRUST AND ASSOCIATION

MEMBER . . . FEDERAL RESERVE SYSTEM — FEDERAL DEPOSIT INSURANCE CORPORATION

Complete Banking Facilities in Each of 495 Branches in 307 California Communities

Commercial - Savings - Trust - Safe Deposit

Main offices in two reserve cities of California . . . San Francisco - Los Angeles
"Serves you best in the West"



Blue and gold BANK of AMERICA TRAVELERS CHEQUES are available through authorized banks and agencies everywhere. Carry them when you travel.

headaches of banking for years has been the problem of renting safe deposit boxes. If ever they had a new sales appeal for this service, it comes through War Bond sales and the basic idea that these bonds are to be held for 10 years and should be protected.

As to part one, banks might as well prepare to meet the demand. People who bought bonds through the banks are going to expect the banks to redeem them. Banks, particularly outside Federal Reserve bank cities, are going to have service cost, postage, insurance and the responsibility attendant to han-

dling these bonds for redemption. With no precedent to hamper, there is no reason why the banks should not be compensated. Selling the bonds is a service to help win the war. Handling the bonds for redemption is a service to benefit the individual and he should expect to pay for it. If, as seems logical, the Government decides to compensate the banks for their whole War Bond sales service, then we might take a different stand.

C. Lane Goss, vice-president, Worcester County Institution for Savings, Worcester, Massachusetts, dropped in late and had this to say about question 1: Appeal to the heart, draw the tears, play upon sentiment and be frank about the tremendous difficulty of financing the war.

Enlist the services of volunteers from women's organizations to handle the mechanical details of War Bonds and as much more as they become interested to undertake.

Urge all savings institutions to invest all new and as much of their old funds as possible in War Bonds, defense housing and other war efforts.

MR. MACLEAN asked this one himself: Should banks actively engage in the promotion and sale of War Savings Stamps? If so, to what extent? Then he answers:

Yes. All the way. While it's a fussy job, handling the stamps, they are a definite part of the financial end of winning the war. If the banks don't assume the financial end of that task, some other business group will do so, to the detriment of banking's relations with the public.

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Virtually all who buy the stamps are prospective bank customers.



Lobby—Provident Savings Bank and Trust Company, Cincinnati, uses this effective display

Window—The National City Bank of Cleveland features war equipment to illustrate what War Bonds will buy





# We have loaned . . and are loaning MILLIONS of DOLLARS

to speed the War Effort

and stand ready to extend the fullest cooperation to banks throughout the country in financing Government defense orders.

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68 COMPLETE BANKING OFFICES IN GREATER NEW YORK



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## THRIFT IN A CHANGING WORLD

## Promote Savings Now

Brooklyn, New York-PHILIP A. BENSON



THERE is no doubt that the present situation offers a challenge to every savings banker. We now have the opportunity for a truly great service to our country, for the reaffirmation of our faith in savings and for demonstration of the vitality of savings banks and their popularity as agencies of thrift. It may have been thought within recent years that the old-fashioned virtues of thrift and savings were becoming outmoded. Such is not the case, however, for the value of savings in our national life stands out as a fact of constantly increasing importance. Savings is a necessary element in our present program for it is a major factor in financing the national war effort. Savings is a country's industries or in mortgage necessity also in the stabilization of our loans. It is the creation of savings out entire economic structure for it is a of current earnings that is going to do definite preventive of disastrous infla- the really important job for the countion. In other words, savings is not only try and for the individual, and savings a virtue and an evidence of good citizen- banks have a great responsibility in ship and good character; it has in these educating people to this fact.

President of The Dime Savings Bank of significant days become a national necessity.

> One of the major problems of the savings bank in the present emergency is therefore to realize the vital necessity of savings and the important part each bank plays in promoting it; to do its utmost to preach and to teach the gospel of savings and to proclaim its urgency on every occasion and through every possible medium. The savings banks of New York State, as a group, are doing this in a statewide plan of advertising, using newspapers, radio and motion pictures. Individual banks are supplementing the state effort and are using advertising media to promote savings for the benefit of the national Savings Bank of Brooklyn is an example—are also emphasizing the fact that saving now is of especial advantage to the individual in that it is first being loaned to his country, and later, as it is returned to him, it will furnish the means to purchase those things that are unobtainable now and which will be available when the war is over.

> Part of the problem of the savings bank in promoting savings for the war effort and for the purpose of acquiring funds for post-war expenditures is to make it clear to all those who are receiving salaries and wages that savings must come from current earnings and not from past savings. Past savings are already at work and are invested in the bonds of our Government or in the

Savings banks must also make it clear that in promoting savings now they are doing so solely from the viewpoint of the value of savings to the national economy. We are not seeking our own advantage nor are we trying to increase profits. We are offering our banks as agencies through which savings from pay envelopes and other sources may flow into government channels. The present time can well prove to be a golden opportunity for the savings banks to increase their prestige and influence

Another problem that strikes me as being of great importance to savings bankers is that of building strong and war effort. Some banks-The Dime well managed banks. Just as a soldier trains for active service, so must we increase our strength and efficiency for whatever responsibilities may lie ahead.

We own some real estate and are perhaps still acquiring it. This property should be reappraised and increased efforts made to liquidate it. We must continue every effort to put our mortgage portfolio on a sound basis, both by placing all mortgages on an amortized basis and by building up reserves.

Mortgage problems are very real and urgent, and they must be faced courageously and firmly. We must also continue improving our bond portfolio, eliminating second grade bonds, substituting governments for them. We have frequent opportunities of investing in new issues of government bonds.

I anticipate a great future for our savings banks. Savings are vital to a healthy national life. We must watch to see that no other agency takes the time-honored place of the savings bank in the field of thrift and savings. We must play our part now as good soldiers, as efficient workmen, as true Americans.

## Today's Savings Problems

First Vice-president, National Bank of Commerce, San Antonio, Texas— HENRY M. HART



To the question "What are the three most important problems facing savings departments today?" I would answer:

1. Adjusting the merchandising of savings to wartime conditions.

2. A revamping of the old, orthodox terms of time deposits.

3. Competitive agencies.

Probably the simple statement of the three questions is sufficiently self-explanatory. Perhaps, however, a necessarily brief elaboration may be warranted.

The merchandising of savings deposits under wartime conditions offers a challenge to commercial and savings bankers. We, of course, have no desire or intention of competing for funds against War Savings Bonds, and must not create such an impression. An opportunity does exist, however, to prevent a down-trend in savings balances through use of such factors as, (1) the comparative advantages of the simplicity, availability, security, stability, and convenience of that medium for one's emergency reserve; and (2) the utility of accumulated savings for advantageous future purchasing, for business opportunities, travel, education, health, etc.

But the method and the material must be superior to time-worn custom of the past. We see today cooperative publicity used by building and loan groups and by savings bank groups—effective because cooperative production permits mutual use of it at costs

each can afford, and permits higher quality than many can afford singly.

The part the banks play in our national economy, the advantages of savings balances, a comparison of the suitability of this and other forms of placement of thrift funds for each type of saver, are fields for cooperative promotion.

Commercial bankers ignored the instalment credit field until forced to recognize its merits; then stumbled along awkwardly at first because we had not studied the merchandising of our services, as had other agencies.

And so I say: Our technique must keep pace with conditions as they change.

Now, as to terms of time deposit contracts: Unquestionably the newer splitrate plan has merit and answers to a large extent one of the drawbacks to paying of interest on savings. A preferential rate, based on a fixed, longer term of from one to three years (or even longer), with rigid restrictions regarding withdrawals has an appeal to depositors as shown by the millions of dollars invested by the public in that form of contract through others than banks.

But we cannot adopt that plan successfully unless we believe we can enforce the terms thereof: it mustn't be one-sided. Present savings contracts usually provide 60 days' notice on withdrawals-but how many live up to that? Why should the public expect banks to waive contract terms-to accept deposits as time funds and pay interest thereon, and then pay the funds out at will of the depositor? Interest is justified only where the contract warrants the bank in believing that it will have the use of the funds long enough to prompt placement of these funds in types of investment not perhaps always suitable for demand deposit funds. And if we cannot manage such funds successfully, we must then admit the lack of an important banker qualification.

Withe on the subject of terms of receiving time funds, banks in larger cities as well as those in certain areas would enhance the public's acceptance of prevailing rates and conditions by greater uniformity. The layman will naturally wonder, when terms vary materially in a community or compact section, whether banks really know what such funds are worth—and whether

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Above all, let no banker get the unfortunate idea that the savings business, the thrift accounts of the people, is or ever will be undesirable business. Whenever bankers take that attitude, it is my opinion that they do so because of a lack of appreciation of this service to the public, of the importance of these depositors to them, and, furthermore, a lack of ingenuity in shaping up a plan and method of receiving such business on a basis that is mutually acceptable to the depositor and the bank.

terms are based upon soundly determined analysis and cost accounting, or arbitrarily fixed. In clearinghouse cities, the clearing association offers an excellent medium for establishing uniformity, although (as in all other such actions) the degree of public acceptance depends upon method as well as means; group action is, of course, preferable only where the terms determined upon are equitable and sound.

IHIRDLY, the encroachment of competitive agencies, enjoying many advantages through more favorable laws, regulations, investment fields, and capital requirements, is a serious threat as shown by statistical data reflecting the trend of the flow of savings funds during recent years. Many bankers are entirely too complacent about this competition; many of us participate as directors, trustees, or the like in their management. We are reluctant to take an aggressive stand about them to our legislators, because we might offend a good customer. There is never justification for trying to stifle competition; we are all better off for having competition that stimulates us to better efforts in our own behalf. Yet there should not be created or fostered inequitable competitive conditions-particularly not through semi-subsidization, entirely unneeded and unsound. However, as stated above under another item, we must meet competition in merchandising all of our services.

## In Total War

President, National Association of Mutual Savings Banks, and President, The Burlington Savings Bank, Burlington, Vermont—LEVI P. SMITH



THE important problems which the savings banks have to meet today stem from the overwhelming fact of war.

First: The savings banks must wake up to the enormity and seriousness of what confronts them. The Ship of State is being buffeted and there are too many leaks for comfort. If the boat goes down, it will matter very little whether the savings banks and savings departments have charged their customers for the cashing of checks, and whether the banks attempted to anticipate a decline of deposits or a glut of cheap money; and it will not help that they analyzed their savings costs. In times like these, the important thing is to keep first things first. In our businesses as in our lives, the war effort must be given the right-of-way. Everything which does not contribute to the war effort should be by-passed for the moment.

Second: The savings banks must not only realize the emergency but must qualify to fit usefully into the machinery and activities being organized to meet the emergency. To survive in total war, savings banks must make themselves an integral part of the victory machine. Of course, they are all up to their elbows in the war financing. But how much more are they doing in this direction than the motion picture companies, who speak to the public from every screen? How much more are they doing than the merchants, who sell War Bonds and Stamps at their counters, and the public service companies and newspapers and radio broadcasting systems? People naturally turn to the banks as a

kind of financial headquarters. If their effort cannot exceed the effort of those other contributing concerns, they will have abdicated in some degree the place they should hold. This is particularly true of the savings banks, to whom the millions of small savers look for financial advice and leadership. Thus far, the banks have been doing a splendid job, but nobody's best in this emergency is adequate.

THEREFORE, the urgent problem confronting the savings banks is to devise means of making their place in the machinery for financing this war more vital and more effective. The details of how to do this will vary with varying localities and conditions of population. In some communities it may be immensely effective to advertise the free safekeeping of War Bonds and any similar services which the banks can devise. In other localities the disadvantages of such services may outweigh their usefulness. The test everywhere must be: What will help enlist more savings of more people in War Bonds? When that is done, the next great ques-

tion is: What will help enlist still further savings into a general thrift movement to combat inflation and all inflation implies? What will keep up and build up the army of millions of individual savers whose cushion against post-war depression may prove the deciding factor for free initiative against some system better for bees and termites than for American free men.

If first things are kept first, a lot of pettiness and suspicion will be side-tracked. Problems will be simpler to solve. Banks will have less difficulty in deciding what services to extend to depositors. For instance, it will not be hard to decide whether a bank is justified under present conditions in charging more than actual out-of-pocket expense in connection with the redemption of War Bonds or for any other service that is connected with the war effort.

The attitude of depositors will be freed of reservations, doubts and suspicions. In times like these, the absence of the slightest taint of selfishness is very quickly sensed and responded to.



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500 branches in Canada and Newfoundland—
a staff numbering 6000—

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—data on agricultural, commercial, mining and manufacturing conditions in any part of Canada—credit and market information—deposit and loaning facilities—assistance on the intricacies of foreign exchange transactions due to the war-time controls—commercial credits—collections and payments—special wire connections for speeding transactions.

Bankers are invited to call on our American offices to learn fully about the Bank's organized assistance for private industry and commerce.

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HEAD OFFICE—MONTREAL Over 500 Branches in Canada and Newfoundland

#### BANK OF MONTREAL

ESTABLISHED 1817

Third: The savings banks must have courage. Whether they like it or not, savings bankers are supposed to be the kind of men whose judgment will be calmand good in an emergency. Whether they like it or not, in times like these people are going to turn to them for guidance and encouragement. They find themselves elected to supply more than their share of courage and confidence and the sense of adventure with which a well-poised mind compensates for the loss of comfort and security.

Granted courage and a sense of the responsibilities of leadership, details once more will be easier of solution.

Today's troubles will be faced in an aggressive mood, and tomorrow's troubles will have to wait until they materialize. This may involve in many instances a kind of mental overturna psychological revolution which lays emphasis on what is constructive, on what are the chances of success in any given proposition-and coupled with it, the determination with which success becomes a matter of will rather than of judgment. In too many instances, it will be necessary to leave behind the old temptation to magnify the virtues of timidity and negative thinking, the old practice of turning eyes backward for guidance and perpetually locking

#### The Will to Win

About the time of Valley Forge even a second-rate bank examiner could have demonstrated to George Washington that in terms of money, men and munitions he had better charge off the American Revolution as probable loss. However, there was a factor which outweighed that disparity of money, men and munitions. That factor was the will to win.

one barn-door after another when in each case the horse has already been stolen.

This is no time for the borrowing of trouble. It is no longer smart to try to anticipate and dwell eternally upon the chances of disaster. "Sufficient unto the day is the evil thereof" must be the motto of banks. This is the time for which reserves have been built up, for which surpluses and capital structures have been created. Before we get through this war, we may have to live off our fat and like it. In times of great emergency we may have to adopt emergency measures.

We may have to cultivate for a change the wartime virtues and face the future with audacity and the old spirit of adventure.

#### CENTRAL HANOVER BANK AND TRUST COMPANY NEW YORK



Statement of Condition at Close of Business June 30, 1942

#### ASSETS

Cash and Due from Banks .			٠			\$361,252,663.42
U. S. Government Securities .						660,455,500.10
State and Municipal Securities						47,535,509.89
Other Securities						20,417,000.86
Stock in Federal Reserve Bank						2,430,000.00
Loans and Bills Purchased .					٠	220,128,756.31
Real Estate Mortgages			٠			6,367,444.84
Banking Houses					٠	14,440,910.00
Other Real Estate			٠			1,038,369.05
Interest Accrued						1,662,068.39
Customers' Liability Account of	Acc	ept	anc	es		1,389,266.47
				Tota	al .	\$1,337,117,489.33

#### LIABILITIES

Capital		\$21,	,000	0,0	00.0	0	
Surplus		60,	000	0,0	00.0	0	
Undivided Profits .		17,	80:	2,3	59.2	8	\$98,802,359.28
Reserve for Taxes,							
Interest Accrued, e	itc.			٠	٠		4,236,289.73
Dividend Payable							
July 1, 1942							1,050,000.00
Acceptances			٠	٠			1,481,250.34
Deposits							1,231,547,589.98
					Tota	1 :	\$1,337,117,489.33

Member Federal Deposit Insurance Corporation

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No. 10--WAACS. Director Oveta Culp Hobby, right, of the Women's Army Auxiliary Corps, congratulates the commander of a WAAC Company that won a review. Incidentally, Director Hobby is also a director of the Cleburne (Texas) National Bank



BANKING

## MOBILE FORCES

ON the land, by sea, and in the air, the armed forces of the United States are showing their power to strike quickly and vigorously. They are mastering the new requirements of new warfare.

American industry is making the changeover from peace to war production with

amazing speed. American railroads are meeting the extraordinary new de-



mands upon them. Farmers are achieving new goals in type and volume of output.

America's banks also are not fighting trench warfare, but have thrown their strength forward in aggressive action. They are making new kinds of loans. They lead the way in the sale of war bonds.

They have pledged their own resources. Along with the armed forces and

industry and agriculture they are showing that democracy can be mobile.

We are helping our business and banking friends make the changeover to new kinds of operations



#### THE NATIONAL CITY BANK OF NEW YORK

Head Office: 55 WALL STREET



Branches Throughout Greater New York

ESTABLISHED 1812

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



# THE REAL ESTATE PICTURE

## A New Housing Era

The impact of war upon housebuilding, with its challenge to technical ingenuity, its curtailment of supply, and its piling up of unsatisfied demand, already suggests both that the post-war period will be one of unusually large building activity and that this activity may be carried on in ways and under conditions quite unlike those of the Thirties.

In a few respects the effects of the war on housing are similar to those of the depression. Private building is rapidly declining. Building organizationsparticularly the small ones—are being forced out of business. Housebuilding labor is being dispersed in other activity. Owing to the difficulty even in making repairs, the condition of the existing stock of housing continues to decline. But here the resemblance to the depression stops. In all other ways, the conditions likely to be present at the beginning of the post-war era vary strikingly from those that we faced during the early Thirties. Let us look at some of them.

1. House rents instead of declining will be kept from soaring only by rigid control—a control almost certain to be carried over into the new period.

2. The general level of income is steadily rising; the distribution of the increased income is exceedingly broad; and savings, particularly in the middle and lower income groups, are piling up. Demand, instead of drying up, is merely hidden behind the barrier of war restrictions.

3. This demand for housing is made more pressing by the increasing shortage of housing. The last decade saw only two non-farm houses built for each five net additional families. There were few replacements of old houses, and the census of 1940 showed that the general condition of the existing stock

HE impact of war upon housebuilding, with its challenge to technical
Twentieth Century Fund—MILES L. that we shall enter the post-war cra
ingenuity, its curtailment of supply,
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Research Director, Housing Survey of The
Twentieth Century Fund—MILES L. that we shall enter the post-war cra
with a very strong demand for new



was even worse than had been revealed by the Real Property Inventories of 1934.

4. Although the typical small housebuilder of the past may be forced from the picture, the war housing program has at least succeeded in keeping a number of fairly large organizations active. The pressure for speed and economy has served alike to break down old restraints and to develop new techniques. The wartime housebuilders, experienced in mechanized mass housing operations, will be ready and eager to carry on their activity in the postwar period.

5. Competition for peacetime markets among producers of war materials should not only create favorable prices but also make many new materials and new uses of materials available to housebuilding. Lumber, steel, aluminum, magnesium and plastics should all figure in the drive to make use of excess productive capacity.

Thus in sharp contrast with the first

years of the last decade, it appears likely that we shall enter the post-war era with a very strong demand for new houses and the beginnings of an industry capable of meeting the demand. What does this all mean in terms of the quantity and kinds of housing? sem fam

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Forecasting the housing market in normal times is difficult enough. Under the rapidly changing conditions of a war economy and with the many unpredictables that war occasions, it becomes a job for the foolhardy. Yet on the basis of certain assumptions we may at least get a glimpse of possibilities. We may, for instance, assume a fairly high level of national income at the close of the war-current estimates place it somewhere near \$110 billion at 1940 prices. We may perhaps safely assume that the relationship of housebuilding to national income might be similar to prosperous years in the past-in 1925, the relationship was 7.2 per cent, and for the complete building cycle (1919-1935) the average was 4.5 per cent.

On this basis it may be estimated that a post-war production upwards of \$5 billion to, say, \$6.5 billion is well within possibility. How such an expenditure would be divided among the various classes of residential construction is again a question on which estimates may widely vary. Assuming an average cost (exclusive of land) of \$3,400 for a non-farm dwelling unit, we might (at the \$6.5 billion figure) produce over 1.3 million new non-farm houses and still have nearly \$2 billion left for new farm houses, housing repairs and alterations and miscellaneous residential construction.

Assuming such a program to be possible, what sort of housing is likely to be produced? A part of it, obviously, will be for families in the upper end of the semi-custom built houses that we are familiar with. Considering the effects of the wartime suppression of building, the accumulation of savings and increase in incomes, there is likely to be a great deal of this kind of building. The \$7,000 to \$10,000 or \$12,000 house will probably be much in demand. For a few years at least it should provide ample business for builders following more or less traditional methods of opera-

But this class of dwelling cannot be counted upon to go far in meeting the post-war demand. Then, as previously, the bulk of the potential market will come from the families in the lower three-quarters of the income scale, who have never been adequately served with new dwellings. And it is this group that stands to benefit most from the technical progress that has been made during the war period.

THE war housing program has demonstrated that simple, comfortable, and attractive houses can be built, even under the difficult and expensive conditions created by the existing shortages, at prices around \$4,000 (and sometimes less) a unit, including a reasonable allowance for the land. It has demonstrated that these houses are susceptible of mass production under highly mechanized methods of operation.

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The large building organization, which was a factor of increasing importance during the past decade, is even more characteristic of housebuilding under war conditions. Projects of 500 to 1,000 units are a commonplace, while developments of 2,000, 3,000 and even 5,000 units have been carried on as single operations. And the factory, which before the war was only beginning to be

income scale—the typical custom or 'used in the pre-assembly of house sections, has become almost the keynote of war production. Whether placed temporarily on or near the site of a large project, or operating on a permanent basis, independent of any of the several sites it may from time to time be serving, the factory seems to have been firmly established as an instrument of house production. While, in terms of size of organization, housebuilding may not yet have become big business, the war has certainly made it a bigger business than it was during the Thirties when the average production per builder was something around four houses a year.

> THESE industrial changes are likely to result in the capture and extension of the market for low priced dwellings by the large producer whether he be the project builder, constructing considerable numbers of houses in one location, or the factory prefabricator serving a number of locations, and reaching even into the smaller communities where only a few, separately erected dwellings may be needed. It is not unlikely that an important part of the demand for more expensive houses-ranging to \$12,000 at the 1940 price level-will gradually be met in the same way. The small scale, handicraft builder in the future is apt to be more and more confined to a limited market demanding a thoroughly custom-built article.

If such a shift in the method of house production takes place, it is bound to bring with it many new banking problems. The financial needs of the large producer, for both the production and the marketing of his product, are far different from those of the traditional house-by-house builder. Housing finance must, therefore, face modifications that

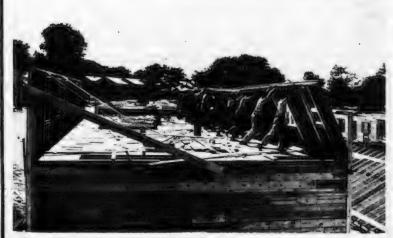
will permit it to meet the special requirements resulting from the industrial change.

Traditionally the mortgage has been the instrument of housing finance, both for the producer and the purchaser. Either the prospective buyer obtained a loan or a commitment to make a loan before construction started, or the builder, if operating on his own account, obtained funds by mortgaging the property on which he was working. Through the transfer of that mortgage to the ultimate purchaser, the same instrument frequently served the purposes of both producer and consumer credit. Commercial credit in the ordinary sense was not characteristically used for construction purposes, and, when it was, at least a commitment to make a mortgage loan on the completed property was usually present.

In dealing with the small builder without any appreciable investment in plant or equipment and usually with no certain prospects for continuing in business, a form of security that looked beyond the credit of the producer to the value of the product itself was essential. Moreover, for such a builder, this type of financing was usually satisfactory. It took care of his immediate capital requirements, and it usually provided him with a relatively painless escape in case his sales or rentals did not materialize.

THE customary modes of housing finance are not so well suited to the large producer, whose credit needs are likely to be greater and more various than those of the small builder. Since the large mechanized producer must have a considerable investment in

". . . houses are susceptible of mass production under highly mechanized methods of operation"



September 1942





## NO GHOST TOWNS when you build this way

A city for 20,000 people— 5,000 Homasote Precision-Built Homes—is being built at Ports-



mouth, Virginia, in the record time of five months... This unprecedented project will provide much-needed housing for shipbuilders of the Portsmouth Navy Yard—which has expanded its labor force from 5,280 to 40,000 men.

But suppose—after the war employment at the Navy Yard returns to the peacetime level. Will Portsmouth then be saddled with a vast ghost town?



NO! Because each of the 5,000 Homasote Homes at Portsmouth is demountable—can be taken down in three hours, re-

erected on another site in three more, with a total loss in materials of just \$22 per house.

Seven years' experience is back of today's performance records of Homasote Precision-Built Construction—an engineering system of prefabricating machine-perfect, doubly-insulated homes—of any size and any design—built in any quantity from one to 5,000 and up. All Homasote Homes can be of demountable construction—thereby safeguarding mortgage val-



ues. For if the original neighborhood deteriorates, the demountable Homasote Home can easily be moved to a better site.

After the present emergency, you will find new and secure avenues for the employment of bank funds in low-cost housing markets—which the speed, efficiency and low cost of Homasote Precision-Built Construction will open up for the first time. Write for full details on this direct opportunity for the alert banker. HOMASOTE COMPANY, Trenton, New Jersey.

plant and equipment, he may need credit to help provide these essentials. Since he must purchase materials on a large scale, he will need credit to finance his inventory. Since a considerable part of his work will be done away from the building site and perhaps considerably in advance of final site assembly, he will need credit to help tide over the period of production. He may also help finance dealers

For none of these operations does the mortgage on the individual house or group of houses fit the purpose. For the most part the need will be for short term and intermediate commercial loans, secured by the general assets and credit of the producer rather than his completed or partially completed products. Here should be an important new field of banking business. Since large scale production necessarily means greater concentration, the financing too is likely to be concentrated in fewer and larger institutions than the ordinary dwelling construction loan of today.

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The post-war period is likely to bring changes not only in the type of producer's credit but in the ways of financing the purchaser as well. Although it is possible that wartime savings may, for a time and especially for the more costly types of houses, result in a greater than usual proportion of low ratio loans, it is hardly likely that any large volume of low priced house construction can be maintained without the low down payments and long payment period that were characteristic of home purchase loans in the Thirties.

Such change as there is likely to be from this pattern will probably be in the direction of even lower down payments. In spite of the probability of an unusually high level of savings, the years following the war are likely to be unsettled years. During the process of reconverting war industry and of developing new peacetime products, employment opportunities are likely to shift rapidly, new migration may occur, and the prospect of moving will at least be present. In spite of their savings, therefore, large numbers of families may be unwilling to enter into long term contracts involving much risk of capital.

At the same time the building of rental housing will undoubtedly continue to be handicapped by the same difficulties that, in spite of a great increase in the rental demand, held it back during the Thirties. The almost certain continuance of rent restrictions into the post-war years may add to the difficulties of producing new dwellings on a straight rental basis. The escape from this dilemma may be through the development of various forms of lease purchase plan.

The working out of such schemes will involve considerable financial ingenuity. The property possibly may be mortgaged, but in the builder's rather than the owner's name. Or new types of housing operating companies may evolve, which would initially own the projects, gradually transferring them to the purchasers—involving not only new methods of financing but new forms of trustee relationships. Or, following the pattern of the Metropolitan Life Insurance Company, financial institutions may themselves increasingly undertake directly the ownership of housing.

The war has not only eliminated business-as-usual so far as housebuilding and home finance are concerned; it even promises to carry us technically beyond a point where a return to business-as-we-have-known-it will be possible. New housing construction privately financed can play a vital rôle in the period of post-war readjustment. The greatness of that rôle and the success with which it can be played will depend upon how well the new problems are analyzed and how thoroughly the needs for new methods and new points of view are anticipated.

HOMASOTE COMPANY . . . TRENTON, N. J.

## **Rent Control**

x the effects it will have upon the real estate and mortgage markets and in the term of its duration, rent control is probably the most important development which has arisen out of

present war conditions.

The authority for imposing restrictions on the rent of residential properties is specifically provided in the Emergency Price Control Act of 1942 (Public 421-77th Congress, Chap. 26, 2nd Session, approved Jan. 30, 1942). Section 1 (a) of this act declares it to be "in the interest of national defense and security . . . to stabilize prices and to prevent speculative, unwarranted, and abnormal increases in prices and rents," and the prevention of these and other disruptive economic phenomena is stated to be one of the purposes of

Section 2 (b) authorizes the administrator to control rents "whenever in the judgment of the administrator such action is necessary or proper in order to effectuate the purposes of this act." This control is effectuated by the administrator's first issuing a "declaration setting forth the necessity for, and recommendations with reference to, the stabilization or reduction of rents" for any and all dwelling accommodations rented or offered for rent within any area which he, in the declaration, establishes as a "defense rental area."

After issuing such a declaration, the administrator must wait for 60 days to observe the effect of his declaration. If at the end of that period, in his judgment, rents have not become stabilized or been reduced as he recommended, he may "by regulation or order establish such maximum rent . . . as in his judgment will be generally fair and equitable and will effectuate the purposes of this act."

After the effective date of any such regulation or order it is unlawful for any person to " . . . demand or receive any rent . . ." in excess of the established maximum, or "to offer, solicit, attempt, or agree to do any . . . " of the things that constitute a violation of the provisions of the act, declaration, or regulations. The penalties provided are "a fine of not more than \$5,000 ..." or imprisonment "for not more than one year . . ." or both.

As of July 1, maximum rent regulations had been promulgated covering 54 defense rental areas containing, according to Victory magazine, published

Director of Research in Mortgage and Real Estate Finance, the American Bankers Association-ERNEST M. FISHER



by the War Production Board, onefifth of the nation's population. And according to a statement of the Price Administrator, "We have not stopped vet." Three hundred twelve other defense rental areas had been established, making a total of 366, with a population aggregating 89 million, in which rents were either actually or prospectively under Federal control.

The regulations promulgated provide for the registration in the "area rent office" of every dwelling accommodation rented or offered for rent. The registration forms are in triplicate, and provide for both a description of the accommodations and a determination by the landlord of the maximum rent at which he may subsequently rent or offer to rent the property. One copy of the registration form is retained by the rent area office, the second is sent to the tenant for inspection and approval or objection, and the third is returned to the landlord after the time for filing objections has elapsed. In case of objection, hearings may be held and the area rent director may resolve the question raised. On the copy sent to him, the armistice was declared.

tenant is told that he shall not pay a rent in excess of the maximum set down on the registration statement. This procedure appears very cumbersome.

The objectives of rent control are several. It is obviously a part of the program to control the rise of prices and the cost of living. Rent bulks large in the budget of the renter, and effective control of this item would go far to keep down the cost of living.

But the chief objective of rent control is to prevent the unrest that always accompanies rising rents. It is to insure

political tranquility.

Rents represent an item in the cost of living which can be controlled with greater certainty than can the prices of most commodities and services. There can be no "black market" in rents, because the objects for the use of which rent is paid cannot be concealed, moved, or dealt in surreptitiously. The only requisite to successful rent control is a flexibility of administration that can quickly act to stop practices that evade existing regulations. Under the wide powers granted the administrator by the Price Control Act, it ought not to be difficult to discover and deal with such forms of evasion as appear.

Another characteristic of rent control is its permanency. Though designed for an emergency situation and limited in duration by the act that establishes it, rent control is likely to be one of the most tenacious of all the restrictions placed upon property during the emergency. In England, rent control was imposed in 1915, under an act which limited its duration to six years; when war broke out in 1939, it was still in operation, and those portions of the original act which had been allowed to expire or had been modified were promptly reenacted. In New York, the rent control legislation first enacted in 1920 was allowed to expire by limitation only in 1929 -11 years after the

The very conditions which necessitate the imposition of rent control are aggravated by its operation and tend to perpetuate the necessity for its continuation. It is likely, therefore, that some form of rent control will complicate the problems of banks that hold mortgages or other real estate in their portfolios for some years

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## Problems in Mortgage Lending

N 1941, during the period of defense activity of this country, there was a great advance in the construction of dwelling units. This building was to be found largely in the so-called "defense areas," but there was also a considerable degree of building throughout the country in all areas as a result of the general increase in prosperity. As a consequence of this large amount of residential building last year, approximately 700,000 dwelling units were constructed. This is the largest number of units built since 1928, when over 750,-000 non-farm residential units were erected.

However, now that this country is at war this great activity has been greatly curtailed due to the shortage of materials and the restrictions placed upon housing construction. Therefore, for the period of the war at least, banks, as well as other mortgage lending institutions, face a practical closing of the mortgage market with the exception of two outlets, (1) housing for war workers, and (2) refinancing of existing mort-

gage indebtedness.

War Housing: War housing is as essential to the war effort as is the building of plants and the construction of planes, tanks, guns, and ships. Of course this war housing may be financed with private as well as government funds. Private enterprise and private equipment are being used, and rightly so, for the construction of permanent dwelling units in areas where their continued use after the war seems fairly certain. On the other hand, public funds are being used for the construction of dormitories and inexpensive temporary structures in areas which will become depopulated after the war emergency is over.

In September 1941 priority assistance was granted for the construction of 200,000 units with private funds, and 150,000 units with public funds. By April of 1942 all of these private units were completed or under construction. In March of this year the War Production Board authorized priority assistance for the balance of 1942 for an additional 200,000 units to be built with private capital. Public funds will provide for the construction of some 300,000 additional units.

The privately financed war housing is of vital interest to the banks of this country. Not only does this construction provide an outlet for the uninvested

Vice-president and Comptroller, The Bloomfield Savings Institution, Bloomfield, New Jersey-GRAHAM NASH



mortgage funds of these institutions, but also it is the patriotic duty, as well as the privilege, of the banks of this country to make this contribution toward the country's war effort. Furthermore, if private capital, as represented by banks and other mortgage lending institutions, fails to provide the funds for this part of the housing program, government agencies will be forced to step in and provide the necessary working capital. If this situation occurred it would be very unfortunate indeed, as it would be a blow to the future strength and prestige of chartered banking in this country.

THERE are no specific regulations which require a lending institution to make only insured loans for the construction of war housing. That is, a bank, if it so desires, may make uninsured amortized loans for the construction of housing in so-called "defense areas." However, as a practical matter, almost no institution would consider an uninsured loan for war housing, inasmuch as the prospective builders or purchasers of this type of dwelling unit will expect a down payment of only 10 to 20 per cent and a maturity of 20 to 25 years, as these terms may be obtained by means of an FHA insured loan. It is evident, therefore, that the mortgage funds used for the construction of war housing will in almost every instance be in the form of FHA insured loans.

In accordance with Conservation Order L-41, effective April 9, 1942, the War Production Board will not grant

priority for any building other than war housing. Due to this order, the field offices of the Federal Housing Administration have been instructed not to place applications for mortgage insurance under Title II pertaining to proposed new properties in "non-defense areas." Hence, the activity of the Federal Housing Administration in connection with the insuring of mortgage loans for the construction of small residential dwelling units is now confined exclusively to Title VI of the National Housing Act, as FHA loans for construction in "defense areas" must be issued under this title of the act.

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It is quite evident that the only type of loan which is available to mortgage lending institutions, on residential construction, is the FHA insured loan under Title VI, covering new construction in "defense areas." There may be some hazards in connection with the financing of war housing, but these hazards are not as great as the risk of not winning this war, or the prospect that the Government may have to take over the banking institutions' job of providing the necessary capital for this construction. It appears to me, in the final analysis, as though loans under Title VI of the National Housing Act are just as desirable as loans insured under Title II.

The principal point to bear in mind is that loans insured under both of these titles have the same insurer or endorser, that is, the full faith and credit of the United States Government. There are also one or two points in which Title VI loans are more desirable than loans under Title II. In the first place, under Title VI where, at the time of the institution of foreclosure proceedings, the outstanding principal balance of the loan exceeds 80 per cent of the appraised value of the property as of the date the mortgage was accepted for insurance, the administrator will include in the debentures issued, on account of actual foreclosure costs, an amount not in excess of 2 per cent of the outstanding principal balance of the mortgage as of the date of the institution of foreclosure proceedings, but not in excess of \$75.

However, if two-thirds of the actual cost of the foreclosure proceedings is in excess of \$75, then this two-thirds of the cost will be allowed by the administrator. In the second place, the provisions of the act in regard to waste do not apply to mortgages on which the unpaid principal balance, at the time of the institution of foreclosure proceedings, exceeds 75 per cent of the appraised value of the property as of the date the mortgage was accepted for insurance, and in any event the obligation of the mortgage to repair waste has been limited to \$100 for each family dwelling unit covered by the mortgage.

Refinancing of Existing Mortgage Indebtedness: In all probability there will be quite a demand for mortgage loans during the war period for the refinancing of existing mortgage indebtedness. Due to the need for housing units, and the shifts in population from one area to another, there should be a substantial turnover in residential properties. The Federal Home Loan Bank Board reports that in 1937 only 30 per cent of the total home mortgage loans made on one- to four-family dwellings by savings and loan associations, commercial banks, life insurance companies, and mutual savings banks, was for new construction; while the remaining balance of 70 per cent was for the purchase of existing homes, refinancing, modernization, and rehabilitation. It is apparent from these figures that even in other than war times there is a very substantial volume of new mortgage loans made for other than new construction.

Particular care must be taken, as is always the case, in granting loans on existing dwellings. It is more difficult to correctly appraise the value of an old building, as the value in the hands of different people varies considerably due to the unusual features of the premises which may attract the present owner but seem very undesirable to the prospective purchaser. This type of loan may be made with a regular bank amortized mortgage, or else an FHA insured loan under Title II of the National Housing Act. The FHA is becoming increasingly strict in computing its values on existing properties, but they are still insuring loans of this nature.

#### Mortgage Portfolio Management

DURING the present wartime economy the servicing of a bank's mortgage portfolio takes on a new degree of importance and complexity. The high percentage of employment in this country, together with the rising scale of wages, should enable a lending institution to fulfill many of its desires with respect to increases in amortization payments and the reducing of balances on loans having too high a ratio of loan to current appraised value, which was not possible during the depression years of low

## WAR-

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WAR revised the first page at Warsaw, changed other pages at Narvik, at Amsterdam and Paris, destroyed the whole book at Pearl Harbor. That day, war destroyed your peacetime rule book of credits.

Before those days, management experience weighted your decision...but since then a wall-paper manufacturer made the bombs delivered in Tokyo. Before those days, the product manufactured weighted your decision...but since then a motor manufacturer made the tanks that stopped Rommel...since then, many firms acquired customers previously unknown to them but to whom they must extend credit.

So bank loans to clients quickly become loans to unknown customers of clients.

These critical days demand instant action by both banks and manufacturers. But neither banks nor their clients need assume needless risk on credit sales to new customers.

Note carefully the answer given by clients to the question regarding Credit Insurance on the A. B. A. Financial Statement form. When prudent, suggest safeguarding your client's welfare and your loans with American Credit Insurance, the guarantee that severe credit losses will neither injure your client... nor be imposed on your bank.

May we provide additional information? Write Dept. K-no obligation, of course.



BUY U.S. WAR BONDS AND STAMPS

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wages and unemployment. On the other hand, the induction of men into the service of the armed forces of the country, and the dislocation of certain industries as a result of the national war effort, has introduced a new hazard into the mortgage lending field which requires an even more careful servicing of the mortgage portfolio than heretofore. The present wartime conditions accentuate and reemphasize the need for adequate amortization of the existing loans as well as the new loans in the mortgage portfolio. It is now the firm belief of almost every lending institution that a mortgage which is not being steadily reduced through amortization is not good for the lender or the borrower.

One of the main points in President

Roosevelt's seven-point program to prevent a disastrous rise in prices is encouragement of paying off debts and mortgages as a means of reducing the ever rising tide of purchasing power. In cooperation with this program of the President, the Federal Housing Administration has amended the regulations so as to remove the 1 per cent penalty premium required upon the prepayment of an FHA insured mortgage, except in those cases where payment in full is made for the purpose of refinancing the mortgage.

In the second place, the amortization of mortgage loans in large or small amounts will tend to lessen the inevitable impact of the post-war slump in business activity on the soundness of the mortgage portfolio. Every attempt should be made to encourage the mortgagors to pay off additional sums on account of the principal of their loans. An active campaign of this nature should produce very fine results in those communities where a large percentage of the mortgagors are employed in war industries.

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In setting up this campaign for additional amortization payments on existing mortgage loans, some institutions have sent out letters to their borrowers suggesting that if their income is somewhat greater than usual, it would be to their advantage to apply a portion of this excess to reduce the principal balance of their loans. This program has met with varying degrees of success by the institutions which have tried it. It appears that in order to have it work successfully, great care should be used in selecting the borrowers to whom the letters are sent. That is, only those individuals should be contacted who are in war industries and are receiving high base rates of pay plus large overtime payments. Letters should not be forwarded to the office workers who have not received an increase in salary, but who are feeling the present-day higher cost of living. If a home owner who has no additional source of income receives this form of letter, he will, in all probability, simply request from the lending institution a reduction in interest rate. so that no additional principal payment is obtained, and only a lower return on the mortgage is realized.

It is evident that during the present period of high wages it is to the advantage of the lending institutions, the borrowers, and the country as a whole to have borrowers pay off, in as large sums as possible, on account of the outstanding balances of existing mortgage loans.

A systematic inspection program should be established so as to ascertain that essential repairs to the mortgaged premises are not being overlooked. If the present war emergency continues and the Government increasingly imposes priorities on this type of work, there will be more and more difficulty in keeping the mortgaged premises in satisfactory condition. The repair bills should not be permitted to accumulate as there is the danger that after the war is over, certain home owners may turn over their property to the lending institution, as it might be more to their advantage to apply the cost of repairing the old building towards the purchase of a new one.



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Priorities can be obtained for this type of necessary work in "defense areas." Furthermore, work in the nature of repairs and maintenance which is necessary to keep a house in a "defense area" in habitable condition, does not come within the restriction of Conservation Order L-41. Of course such items as redecoration of the interior of a house. and painting the outside, are not even a repair item, but are more or less in the nature of upkeep expense where no priority assistance is needed. If the mortgagor is unable to pay for this type of repair by means of cash, funds may be obtained through an FHA Title I insured loan. In most instances the term of this type of loan is restricted to one year in accordance with the provisions of Regulation W. However, if the loan is to be used to keep a dwelling unit in a "defense area" in habitable condition, it is exempted from Regulation W and the term of the loan may be extended to a period of three years.

In other words, it appears to me that very intensive mortgage portfolio inspection should be practised by lending institutions during the present wartime period. The security back of most mortgages depreciates from day to day, and periodic check ups should be made to ascertain whether this depreciation is seriously affecting the security back of the loans.

Special attention should be given to the payment of real estate taxes on all mortgaged premises. During the present period of high wages less tax delinquency should be permitted. A strict adherence to this procedure will keep the loans in the portfolio in good current standing. Furthermore, this policy should reduce the amount of loss on any loan in the event the mortgagor is inducted into the armed forces, and the

No. 11 — MIDWAY ISLAND. The remains of a Japanese cruiser hit by U. S. Navy planes during the great battle in the Pacific



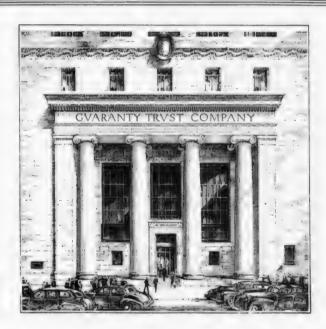
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provisions of the Soldiers' and Sailors' Civil Relief Act are invoked, or in case of default on any loan after the war due to loss of the borrower's income during the adjustment period from a wartime to a peacetime economy.

### Civil Relief Act

ACCORDING TO the terms of the Soldiers' and Sailors' Civil Relief Act of 1940 a lending institution is in many instances practically helpless when a mortgagor becomes a member of the armed forces of this country. If the borrower's income is so curtailed by this change that he is unable to meet the carrying charges on his property, the mortgagee is re-

stricted by this act from taking over the property by foreclosure, in the usual manner, even though the loan may be in default for interest, principal, or taxes. In the case of a regular bank loan, one of the courses which appears to be open to the mortgagee is to reach some working agreement with the borrower whereby, for the duration of the war, the carrying charges will be reduced to a minimum. That is, waive principal payments, reduce the rate of interest where necessary, but require the payment of insurance and taxes. If no workable plan can be devised, the institution is faced with



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the alternative of either waiving all interest and amortization on the loan for the duration of the war, letting the taxes accumulate or advancing them as part of the principal balance of the loan, otherwise, attempting to acquire the property by foreclosure.

The act does not prevent the lending institution from instituting foreclosure proceedings against the borrower, but it does greatly restrict the possibility of securing a sheriff's deed to the property. Section 302 of the act states that in any foreclosure proceedings commenced in any court during the period of military service of the borrower, the court, after hearing the evidence submitted by such person or someone on his behalf, can stay the foreclosure proceedings as provided in the act, or make such other deposition of the case as may be equitable to conserve the interests of all parties. In other words, if the principal balance of the loan was small and the equity of the borrower was large, the court would in all probability stay the foreclosure proceedings. However, if the mortgage was large and the borrower's equity in the property was negligible, the court might permit the lending institution to acquire the property.

Where the mortgage is an FHA loan insured under Title II or Title VI.of the National Housing Act, the mortgagee is not in general permitted to accept partial payments or make any special adjustments with the borrower. However, the administrative regulations of the administrator were amended in March 1942 to provide that if the mortgagor is a person in military service the mortgagee may, by written agreement, postpone for the period of military service and three months thereafter, that part of the monthly payment which represents amortization of principal, provided such agreement contains a provision for resumption of monthly payments thereafter in amounts which will completely amortize the mortgage within its regular maturity. Furthermore, there is nothing to prevent the mortgagee from reducing the rate of interest on an insured loan as the act only provides a maximum and not a minimum rate. Hence, the lending institution can practically make as many adjustments in the payments of an FHA loan as on a regular bank loan where the borrower is in military service, with the exception that no reductions may be made in monthly payments on account of mortgage insurance premium, hazard insurance, or real estate taxes.

However, if it appears that no satisfactory adjustment can be made in the payments on an FHA loan where the mortgagor is in military service, the best procedure to follow is for the lending institution to institute foreclosure proceedings. The desirability of this practice is that the FHA debentures are issued as of the date the foreclosure proceedings are instituted. Therefore, it the court will not permit the mortgagee to obtain title to the property, the institution is still protected as the debentures are issued as of the date the bill is filed.

It seems almost self-evident that the increases in Federal income taxes imposed upon individuals will have a very great bearing upon the ability of the mortgagor to meet his monthly mortgage payments.

There seems to be very little that a lending institution can do to protect its mortgage portfolio from these increased taxes.

The use of tax savings accounts and the purchase of Tax Anticipation Notes should be strongly urged by the banks in their advertising and personal contact with the mortgage borrowers. This method of accumulating income taxes in advance should help to lessen the blow of the quarterly tax payments.

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### **Real Estate Credit Analysis**



C. Lane Goss

A RECOMMENDATION for a complete reappraisal of all real estate, without reference to book values, was contained in a communication addressed to this section of the convention by C. Lane Goss, vice-president of the Worcester County Institution for Savings, Worcester, Massachusetts. He suggested the use of "financial or credit analyses instead of the single sheet or horseback appraisal method" and urged the adoption of "tested procedures" similar to those outlined in the A.B.A. Home Loan Mortgage Manual, which will be released soon.

Here are some of Mr. Goss' other recommendations:

"Eliminate the sub-standard mort-

"Amortize every mortgage that extends beyond the economic life of the property.

"Establish reserves on a realistic basis.

"Raise mortgage lending standards to uniform levels with the certainty of repayment as the prime consideration rather than the liquidating value of the property.

"Banks should compete with other lending agencies on a price and service basis rather than through sacrificing quality and construction standards.

"Relegate to the ash heap such rules of thumb as 25 per cent for rent; two and a half times for value; never reselling to present owners.

"Relate each individual mortgage application to experience studies and to facts obtained from the bank's own research and statistical files. These files should reveal data on deeds re-

corded, Federal Reserve figures, population, immigration, tax burden, building costs, permits, rent control and other items.

"A MORATORIUM is less likely if policies and procedures are carefully explained and loans made within the capacity of the borrower's income at the right time and on proper buildings. Simplify the architectural service, to construction loans at rat the right time and on proper buildings.

"Customers will be less inclined to request legislative relief if banks provide what people want, on a high ethical plane, and include such services as monthly level payments, life insurance coverage, interest and amortization incentives, long term contracts, architectural service, tax plans and construction loans at rates determined by supply and demand."



## What Do You Expect?

In choosing a correspondent do you look for anything more than speed, reliability and efficiency? At the First National in Dallas we believe that you do—that you appreciate the little things that go far beyond the mere routine handling of your business. It is this belief that prompts us to make our correspondent service reflect our desire to serve in the broadest and most gracious sense of the word.

## FIRST NATIONAL BANK

IN DALLAS MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

## Mortgage Debtor Relief

General Counsel and Secretary, Chicago free from anxiety concerning their civil Title and Trust Company—HAROLD L: REEVE



THERE is nothing novel in the general objectives or aspects of debtor relief legislation. It is traditional for both state legislatures and the Federal Congress to be sensitive to the plight and numbers of mortgages

During the depression 30 states passed debtor relief emergency legislation of some sort. Some states declared a moratorium on mortage foreclosures. Others stayed foreclosure sales. Some extended redemption periods. Others abolished deficiency judgments or established a formula to lessen their amount. The basis for these state acts, as expressed in many a statutory preamble, was an "emergency" and "un-precedented financial crisis" which had befallen the state and nation, requiring legislative relief for its debtor class.

With the passing of the depths of the depression eight states have allowed their moratorium laws to lapse for want of renewal. In 11 states, whose lawmakers continued to feel the urge to protect mortgage debtors by renewing such statutes, courts now have taken judicial notice of the change in economic conditions which has occurred and have declared emergency legislation then on the statute books to be no longer valid, on the theory that the emergency which required the relief has passed. In nine states some type of mortgage moratoria legislation still continues, and 18 states still have deficiency judgment laws.

The objective of the Federal Soldiers' and Sailors' Civil Relief Act of 1940, and its pending amendments of 1942, is the legal protection of persons in military service in order that they may be

obligations. Insofar as the act treats of mortgages, its mechanism is relatively simple. As to persons in military service, the courts may either stay foreclosure proceedings until after termination of the period of service of the person involved, or else the courts may make some other disposition of the case which may be equitable to conserve all

interests. The Act applies only to mortgages originating prior to October 17, 1940. It limits foreclosure sales under powers of sale in states where this has been the accepted method of foreclosing, for such sales will be invalid if made during the mortgagor's service, or within three months thereafter. unless made upon a prior order of

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Moratoria Provisions in Effect in these States:

California, Maryland, Minnesota, Montana, New York, North Dakota, Ohio, Vermont, Wisconsin.

No Moratorium Legislation Enacted in:

Alabama, Colorado, Connecticut, Florida, Georgia, Indiana, Kentucky, Maine, Massachusetts, Missouri, Nevada, New Mexico, Oregon, Rhode Island, Tennessee, Virginia, Washington, West Virginia, Wyoming, Utah.

States in Which Moratorium Legislation Has Been Declared Unconstitutional:

Arizona (Pouquette v. O'Brien, 100 Pac. (2d) 979 [1940])

Arkansas (Adams v. Spillyards, 61 S.W. (2d) 686 [1933])

Idaho (Alliance Tr. Co. v. Hall, 5 F. Supp. 285 [1934])

Iowa (First Trust, etc. v. Arp, 283 N.W. 441 [1939])

(1. Langworthy v. Kadel, 40 Pac. (2d) 443 [1935])

Kansas (2. K. C. Life Ins. v. Anthony, 52 Pac. (2d) 1208 [1937])

Mississippi (Jefferson Standard Life v. Noble, 188 So. 289 [1939])

Nebraska (First Trust Co. v. Smith, 277 N.W. 762 [1938])

New Jersey (Alert B. & L. v. Bechtold, 199 Atl. 734 [1938])

Pennsylvania (Shallcross v. North Branch, 187 Atl. 819 [1936])

Texas (Travellers Life v. Marshall, 76 S.W. (2d) 1007 [1934])

South Dakota (HOLC v. Oleson, 3 N.W. (2d) 880 [May 17, 1942])

States in Which Moratoria Provisions Have Expired:

Delaware (1935), Illinois (1935), Louisiana (1940), Michigan (1940), New Hampshire (1937), North Carolina (1935), Oklahoma (1935), South Carolina (1935).

Deficiency Legislation Is in Effect in:

Alabama, Arizona, California, Idaho, Iowa, Louisiana, Michigan, Minnesota, Montana, Nebraska, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Washington.

States in Which There Has Been No Deficiency Legislation:

Colorado, Connecticut, Delaware, Florida, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Missouri, New Hampshire, Nevada. New Mexico, Oregon, Rhode Island, Tennessee, Utah, Vermont, Virginia,

States in Which Deficiency Legislation Has Been Declared Unconstitutional:

Alabama (in part) (First Nat'l v. Jaffe, 196 So. 103 [1940]) (Now expired)

Arizona (in part) (Kresos v. White, 54 Pac. (2d) 800 [1936])

Arkansas (Adams v. Spillyards, 61 S.W. (2d) 686 [1933])

California (in part) (1. Bennett v. Superior Ct., 42 Pac. (2d) 80 [1935]) (2. Hales v. Snowden, 65 Pac. (2d) 847 [1937])

Georgia (Atlantic Loan v. Peterson, 182 S.E. 15 [1935])

Kansas (K. C. Life v. Anthony, 52 Pac. (2d) 1208 [1935])

Mississippi (Jefferson Standard v. Noble, 188 So. 289 [1939])

New Jersey (Alert B. & L. v. Bechtold, 199 Atl. 734 [1938])

South Carolina (Fed. Land Bk. v. Garrison, 193 S.E. 308 [1938])

Texas (Langever v. Miller, 76 S.W. (2d) 1025 [1934])

West Virginia (Staud v. Sill, 171 S.E. 428 [1933])

Wisconsin (Hanauer v. Republic Bldg., 255 N.W. 136 [1934])



## PUBLIC RELATIONS **OBJECTIVES**

## The Wartime Banker

Chairman of the A.B.A. Public Relations Council and President, Peoples-Pittsburgh Trust Company of Pittsburgh GWILYM A. PRICE



WARTIME banking has two major public relations objectives which are specifically based on and identified with war conditions. Every banker will distinguish, of course, between these objectives and those other goals of public relations policy which are permanent and continuing, and which must be kept in mind in wartime no less than in the years of peace. Discussion of this latter category does not belong here.

Of these two strictly wartime objectives, the first and more important is the origination, coordination and stimulation of plans and materials whereby banks may serve the war needs of the nation. The second is to create, educate and direct public opinion toward an intelligent and sympathetic appreciation of the contribution banks are making to the successful conduct of total war.

The Public Relations Council of the American Bankers Association was quick to recognize these wartime aims and built its program of action around

One of its major functions is to provide public relations materials and suggest techniques whereby banks in virtually every community in the nation can reach their depositors and the general public with facts, guides, and inspiration designed to give strength and encouragement to key war activities.

It has given priority to the sale of War Savings Bonds. Each of the seven component departments of the Council -Advertising, BANKING, Customer Relations, the News Bureau, Public Education, American Institute of Banking, and Savings—has produced educational and promotional material and has made available the benefit of its experience and facilities. Their combined contributions, according to Treasury officials, have been an important factor in making possible the hard-hitting, fastmoving sales campaign which enabled banks to establish the proud record of selling more than 85 per cent of all bonds during the first year of the program.

Assurance that this high percentage will be maintained during the coming months is found in the quick response to the "War Savings Bond Sales Manual" produced jointly by the Public Relations Council and the War Savings Staff of the Treasury. Already the plans, guides, and ideas outlined in it have helped to set in motion new sales efforts by hundreds of banks. And an educational folder for use by bank employees, distributed with the manual, is recruiting a new army of salesmen for the

The character and scope of the work done by the Council in the War Bond drive are being repeated in varying degrees in connection with other banking activities related to the war. The public relations aspects of the Food-for-Free-

The Council is a service organization. dom campaign, announcement of new government credit regulations, the establishment of new types of wartime loans, and many other operating procedures have received the attention of the Council. Its recommendations have been effective in informing the public regarding these new activities, regulations, and services.

The path toward greater bank performance in the nation's interest is pointed by the publication, Banks in the War, recently produced by the magazine BANKING. It gives a vivid picture of the relationship between banking and the demands of total war, and acts as a yardstick whereby banks may measure their progress in the performance of service to the nation. It is awakening bankers and public alike to the vital role that the banking industry is playing in the war.

DETERMINATION to fulfill the wartime objectives of bank public relations extends to banks in every city, village, and town. Bankers in their own communities are helping to familiarize the public with the wartime needs of the country and in every possible way they are aiding the people in fulfilling them.

Virtually every bank is the center of some important phase of a War Bond campaign. Its newspaper advertising, posters, and folders, and the speeches and broadcasts of its officers, and the sales effort of its staff are powerful influences in meeting local quotas set by the Treasury.

Bankers are winning added recognition in many districts through their activities in promoting greater production for war uses. In some sections this is revealed through advertising and personal effort on behalf of the Foodfor-Freedom program. Elsewhere, it appears as a publicity campaign backed by individual contact in an effort to provide loans for those who can manufacture guns, ships, planes, tanks, and the other materials of war.

And the banker is giving generously of his time, ability, and money in every project connected with the war. He frequently heads the USO and Red Cross drives, acts as a member of the local War Bond Committee, and is on the draft and rationing boards. Too, he is active in civilian defense work, and despite all of this he finds time to maintain interest in the essential peacetime activities of his community.

The wartime banker, whether he lives in a great metropolitan area or in a tiny village, realizes that his primary current obligation as a good citizen is to perform his patriotic duties promptly, cheerfully, and intelligently. That, as a byproduct of this performance, he is demonstrating the value of applied public relations and, of greater significance, is winning friends for the American system of banking, is a heartening thing for all who believe in that system and want it to be of greater service.



The sale of War Bonds and Stamps is today's biggest public relations job. Above, scene at the bond counter, Bankers Trust Company, Des Moines, Iowa

## **Better Public Relations**

Vice-president, Wachovia Bank and Trust Company, Winston-Salem, North Carolina—WILLIAM H. NEAL



THIS war presents a challenging opportunity for better public relations in banking. It gives bankers the best chance of a decade to prove that most of the critical things said about them in recent years are not true. As the bankers of the nation carry on their war responsibilities they will be doing many things which, if widely known, will greatly enhance public ap-

preciation and understanding of our chartered banking system.

I am not suggesting a selfish motive for banker participation in war activities. We are working to win this war because it must be won. That purpose is pre-eminent. But the things bankers do to help are practical demonstrations of attitudes, motives and services which, if known by the public, will create better public relations for banking.

What were some of the common misconceptions of banking so prevalent in the Thirties? The public was frequently told that banking was not doing a job, that bankers would not make loans to meet business needs, that banks were operated primarily in the interests of officials and stockholders. In previous wars banks have been accused of profiteering and have been blamed for postwar economic disturbances.

It was possible for such charges to gain credence because there was a general lack of public understanding of the banking business, its methods, motives and functions. It became expedient for the political opportunist and the demagogue to promote these charges, and the promotion was aided by the exposure of enough derelictions in some banking institutions to lend plausibility to the broad accusations.

Categorical denials of such charges are inadequate. Practical demonstrations of opposite motives and performances are essential to prove fully their falsity. For example, it is not sufficient to say publicly that banks are anxious to lend money. It is effective to say that during the first six months of 1942 the Tenth National Bank made five millions of dollars of loans to finance contractors and producers in the local community who hold war contracts and orders.

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It is not effective simply to deny the existence of selfish motives. It is helpful to publish the totals of millions of War Bonds sold through your bank, to tell how a special department has been provided to handle bond sales and to say that all this is done without compensation or even reimbursement for out-of-pocket expense.

It is one thing to hurl blanket accusations at those who advocate government banking; it is something entirely different to prove through facts and figures, through accomplishment and performance, that the chartered system of banking in America is an essential and useful part of our social and economic structure.

Wherever we turn today, we find a golden opportunity to prove that the

constructive things we as bankers have Through the proper arrangement of our been saying about our banks and business of banking are true. Most important of all, we see that chartered banking in America is doing a job, unselfishly and magnificently. It is essential that the public be made aware of this fact, not through boastful claims, but through the constant presentation of fact and accomplishment in a manner that inspires others to do likewise.

Our first and foremost responsibility in the war program is to finance industry in its production of war materials. We must seek out these war credit needs and see that they are supplied. Some financing may involve a higher degree of risk than is proper for a bank to assume. In such cases, our aid should be extended in seeing that the need is met through cooperation with other

We must not only do this job, but we must let the public of our communities know what we are doing. For example, in our bank we found that we had made more than \$30,000,000 of war production loans. We broadcast this fact in our advertising and publicity releases to let the people we serve know that our bank is trying to meet its responsibility.

Our business and financial system must be kept going if we are to sustain the war program. Business concerns and businessmen must continue to work and earn and make profits within the limitations and restrictions of a war economy. A bank, therefore, is doing both a patriotic service and a good public relations job when it carries on a vigorous business development program. By this, I mean advertising, merchandising and selling bank services, getting out from behind our desks and our counters and talking banking services to the public. Good merchandising and good selling are essentials of a good public relations program.

In supporting the sale of War Bonds we should keep our community advised of what we are doing, not to boast of our patriotism, but to aid the cause and to prove that banks are doing an essential and a helpful job. We should emphasize that all of this work is being done without profit or remuneration. Rumors are circulating that banks are making a big profit from the sale of these bonds; we must nail that rumor promptly and effectively.

It is the responsibility of bankers as individual citizens to respond promptly and willingly to the call for service by the Red Cross, the Office of Civilian Defense and other local community programs linked to the war effort.

work schedules, we must provide opportunity for our associates and our employees to engage in these activities. If we expect to maintain our position as community leaders, and if we are to demonstrate our willingness to perform unselfish service, we cannot let this call to duty go unheeded.

THE exigencies of war are providing the excuse for unprecedented controls, regulation, bureaucracy, centralization of power and federalization of government. The economic planners are having a field day! It remains to be seen to

what extent these controls and this centralization will be eliminated when the war is over. Few of the emergency powers granted in the early Thirties have ever been repealed. The cries for government banking have been quieted temporarily, but when the post-war economic storms begin to blow, these voices will rise again in all their raucous clamor. Then chartered banking will need a strong foundation of soundness and public confidence.

If we fail to build that kind of foundation now, it will then be too late!

## Your Correspondent

can be merely what the word implies-someone with whom you correspond. On the other hand, it may represent a relationship, thoroughly alive to your interests and actuated by a spirit of mutual service and profit.

Such a relationship is the goal of the Chemical Bank in building its associations, old and new, with the banks of the Nation.

## CHEMICAL BANK

Founded 1824

165 Broadway, New York

Charter Member New York Clearing House Association Member Federal Reserve System Member Federal Deposit Insurance Corporation



## The Country Banker Serves

Assistant Vice-president, The First National Bank of Clarksville, Tennessee-W. D. MEACHAM

T no other time since the early Thirties, has the country banker had within his grasp the opportunity of so completely regaining his rightful position of leadership and respect in his community. However, in assuming this position of leadership, the country banker must also accept and faithfully discharge the greatest responsibility with which he has ever before been faced. The challenge and the need of the leadership which country bankers can and are supplying may be found in almost every small community throughout the nation.

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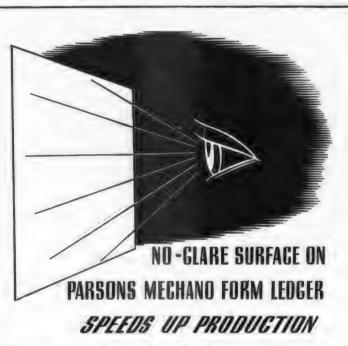
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In these thousands of rural communities where, generally speaking, there are no large war munition plants or shipbuilding facilities, there is nevertheless clearly evident a spirit among the people which must have expression in some contribution toward the war effort. This spirit of the rural people of the nation needs the direction that can be afforded by a well-planned public relations program under the capable leadership of country bankers. Of course, such a program will necessarily vary in relation to the different needs of different communities. However, as a generalization, it would appear that three factors will necessarily be present in every instance: namely, the promotion of the sale of War Bonds; the promotion and support of the Food-for-Freedom program; and the serving of any military installations located in the community.

The banks, both city and country, have done a remarkable job in the selling of War Bonds. Newspaper advertising by banks has won much praise from high government officials and has added drama to the purchase of the Series E



Glare tires the eyes, slows down bookkeeping operations and otherwise impairs efficiency. Guard against this waste of time and energy by using MECHANO FORM LEDGER--the paper with the no-glare surface that increases work output.

MECHANO FORM (50% cotton fibers) costs no more. Yet it gives you the advantages of no-glare surface, strength for use as machine or manual records, and a wide range of colors that permits color-control of miscellaneous forms. MECHANO FORM is available in a full range of colors, sizes and weights.

Write for the Mechano Form Ledger and Index reference book. It is available through all leading Printers and Lithographers or direct from the mill.

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BONDS LEDGERS INDEX

COMPANY · HOLYOKE · MASS.

### Special Wartime Services



For VALUABLES

Tidas mure and more people are giving seri the r inputrant papers, Defense Bonds, heirlooms and valuable articles in a sate deposit box in First National's steel and concrete vault, at a con-

The protection is exact, the same on all boxes re-Come in and see how much even the smallest size will hold

FIRST NATIONAL BANK



MEMBER FEDERAL DEPOSIT INSURANCE COMPONATION

bonds. But the country banker has the best opportunity of all for dramatizing the sale of these bonds through his close personal contact with the people of his community. His is the opportunity to use those human interest stories that have so much appeal-the small boy who sold his pig or calf and bought a War Bond with the proceeds of that sale. These are the human interest elements that give any public relations program or advertisement a distinct public appeal which lends romance and drama to the everyday happenings and accomplishments of a community. Certainly every alert country banker is taking full advantage of the opportunity of selling War Bonds as a patriotic service to his country.

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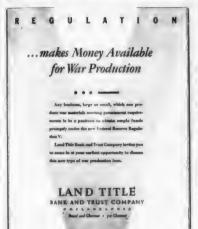
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### Special Wartime Services





#### This Is No Rocking Chair War!

Men can not fight a world war with pop-guns—rocking chairs are out of myle. Something visidly greater is needed —arms, ships, ammunation and a thousand or more other supplies in staggering quantities.

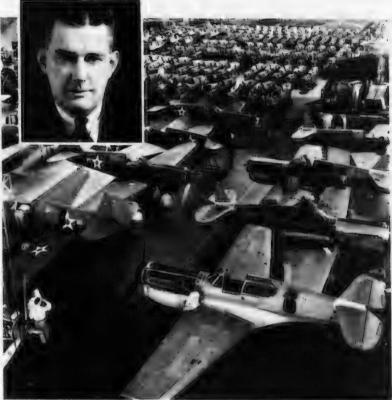
American industry is falling rapidly in lane. But it can't make war material without money for production. To help industry the its job by making sueable loans is only one way in which First and Merchanes is helping.

If you are a manufacturer or a sub-contractor—whether or not you come under Regulation V—get in touch with I'vit and Merchann. We are equipped to handle large as well as small loans. Once we are familiar with your needs, we can quickly fell you what we can do for you. Banking to the behalf of the contraction of the contraction of the contraction of the contraction.

#### FIRST AND MERCHANTS National Bank of Richmond

e M. Heler, Jr., Charmen of the Stead . M. Mare Marce, Princines STREETE, STREET STREET, STREE

## Mr. Wright builds P-40's in a cow pasture...



If you looked east from the Buffalo Airport a year ago you saw green fields, Today you see one of the higgest, most modern factories in America. It's the amazing new Curtiss-Wright plant where since last July, the famous Curtiss P-40's have been swarming out in fast-increasing numbers to join the U.S. Army Air Corps and the R.A.F.

First U. S, single-seat fighter plane to reach mass production, its latest model, the P-40E, carries six 50 calibre machine guns. As Mr. Burdette Wright, Vice President and General Manager of the Curtiss Airplane Division is proud to explain, "By sticking to one basic design, we've been able to incorporate the latest refinements of war experience, and actually increase production at the same time!" Since 1917, Mr. Wright's company has been

a customer of the Marine Trust Company.

"A friendly relationship," Mr. Wright comments, "with a bank whose resources even a cour 5-fold expansion could not outgrow."



THE MARINE WAS SORN to serve the lake and canal transportation that made Buffalo a great inland scaport as carly as 1850. It grew up with America's railroads. It was the first Western New York bank to use the airlines for speedier out-of-town collections, with 90 affiliated Marine Midland banking offices throughout New York State, it is helping to speed defense deliveries in America's No. 1 Defense Area.

MARINE TRUST COMPANY, BUFFALO, N. Y.



BANKING
BY MAIL
is the subject of this 4-page
folder—for counter distribution, mailing with statements, etc. A real businessbuilder for many bank
services at this time.

Reduced from \$34" x 875

### FHR-INSURED TITLE 1 LORDS

for effecting heating and fuel economies essential to the war effort are discussed in folder at right. Loans for converting from oil to coal heating and for installing

home insulation are featured.

BOTH FOLDERS are printed in true national colors. For samples and prices, address: DAVID M. WALL, Director Bank Advertising Service—

### ALBERT FRANK - GUENTHER LAW, Inc.

131 Cedar Street · New York, N. Y.

Specialists in Bank Advertising

Under the Old Republic Plan insurance on personal loans gives economical protection to both lender and borrower.



The largest independent company exclusively insuring the lives of borrowers.

309 W. Jackson

Chicago

Some wide awake country bunkers have recently adopted the plan of ad. vising a selected group of their more wealthy patrons relative to the various other government issues which are offered from time to time and which might appeal to them as investments for idle funds. This plan has proved especially good in instances where patrons desired an investment on which the interest was payable semi-anually rather than accumulative, as in the instance of the Series E bonds. This latter plan has also been used successfully to encourage the reduction of unusually large savings accounts.

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THE next and probably the greatest responsibility of the present day country banker is his share in the Food-for-Freedom program. Here is a task that is a challenge to both the ability and the industry of the present day country banker. To faithfully discharge his responsibility in this instance the banker in an agricultural area must not only be thoroughly capable of filling his job but he must also be willing to work long and hard. For here the responsibility is twoedged and there must be no compromise in either direction. On the one hand, the country banker must feel it his responsibility that credit must and shall be extended to all in his community who are worthy and capable of producing foods or other needed agricultural products. While on the other hand, he must feel equally his responsibility that credit shall be extended wisely with due regard to the risk involved and also conservatively in order that both borrower and the lender may reasonably expect to profit thereby.

It is in the field of agricultural credits that the country banker of today can find his greatest usefulness. He must keep himself informed on the markets for all local products. He must have an accurate knowledge of price ceilings and their effects on markets. He must know about governmental restrictions or production goals for various products. Armed with a thorough knowledge of these factors and a complete understanding of both the people of his community and the productive possibilities of the agricultural area served, the country banker of today can then have the courage to counsel with his borrowers and other patrons. He may then intelligently encourage those who need to be spurred to greater production, or discourage those who seek to overexpand or speculate. He must and will be capable of extending sound credit where it is warranted or of denying credit where

CANADA AT WAR

## Ships

Canada started this war with a very small ship-building industry. Today there are 17 major and 58 other yards in full operation. Canada's first 10,000 ton cargo vessel, launched in October last year, completed its first Atlantic crossing in February! Since then many others have been launched.

The present programme is for 172 cargo ships, costing \$325,000,000. Over 50 keels have been laid. About 95% of the components for these ships are now made in Canada. Before the year is out the Dominion will be launching a new cargo ship every few days.

(Not included in the above figures are some 200 naval ships already launched.)

## THE ROYAL BANK

Head Office - Montreal

New York Agency - 68 William Street

This advertisement is published in the belief that our American Neighbours will be interested in the facts presented. More detailed information is available on request to The Director of Public Information, Ottawa, Canada.

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And what, you may ask, has this to do with the public relations program of a country bank? There are many country bankers in the nation today who would answer that question in very positive terms. Capability to perform the task at hand has always constituted its own best advertisement. As soon as one farmer finds the intelligent and capable service he needs, then he becomes a walking advertisement of that service. And so progressively the story of that service spreads throughout the community until, in the final analysis, the problem becomes, not that of selling the service offered, but rather that of providing sufficient service to meet the demands of the community.

To many country bankers there has in recent months come a new and strange problem—that of providing banking service for the many and varied military installations that are springing up throughout the nation. While the task of financing the large scale war production is primarily the job of the larger city banks; nevertheless, the country banker may almost overnight find that a large Army camp or airport has been authorized for his community. Immediately he is confronted with the upheaval in his community brought about by the relocation of families who must be moved from the area needed for the military project. Then comes the problem of construction with all its attendant dislocations. In the perplexing situation which is certain to develop, the country banker can and must rely on his best judgment and must strive to serve the wartime needs so

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No. 12-CARRIER. The U.S. S. Essex, first aircraft carrier launched by Uncle Sam following Pearl Harbor, slipped from the ways at Newport News, Virginia, on the last day of July

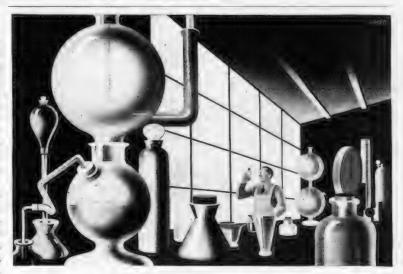


### The Prime Objective

In these perplexing times when the ranks of country bankers are constantly being thinned in order to swell the ranks of the nation's armed forces, those who remain at home to carry on must be fired with the determination that their job must be done capably and courageously. No greater public relations program can be adopted than one which embodies the full and intelligent discharge of the responsibility which leadership imposes. For those who are willing to accept the challenge, and prove themselves equal to the task, there will surely be a reward in terms of increased public confidence which, after all, is the prime objective of public relations.

ment of his regular customer services. His will be the problem of making re- ing circumstances, there can be no subsame time insisting on a fair remunerative return. No rule of procedure can be

created without allowing any impair- prescribed since no two situations will be identical. In this, as in all other tryquired new services available, but at the stitute for clear, honest and intelligent planning in order to meet the tasks at hand.



### THE LABORATORY OF EXPERIENCE

INDUSTRY has its scientifically equipped laboratories for the purpose of testing quality and assuring the maintenance of correct standards. The only laboratory in which the quality of the correspondent service of a bank can be tested is the laboratory of day-to-day experience. And the best test of quality is the way this service functions when the call is for something beyond the efficient handling of purely routine matters.

The American National Bank and Trust Company of Chicago welcomes this type of test and feels that it can be particularly helpful to out-of-town banks today because of Chicago's increasing importance as a war production center. If we can render any service to you or your customers, please call on us.

### AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO

LA SALLE STREET AT WASHINGTON Member Federal Deposit Insurance Corporation

BUSINESS IS TO HELP BUSINESS OUR

## TRUST QUESTION BOX



Prominent trust men participate in this symposium on some of the trust problems incident to the war.

Vice-president, Harris Trust and Savings Bank, Chicago—HAROLD ECKHART



What are trust institutions doing to solve their personnel problems created by loss of employees to the armed forces and related war work?

THIRTY-ONE per cent of our trust department men having up to 17 years' experience have entered the service of our country, and the wartime influence is not without effect upon the women employees in that promises of higher pay in industry have lured sizable numbers away. As usual, some women employees are less interested in security than are men. Naturally, years would be required to train adequately personfor-person substitutes. Also, in most cases, similar ability cannot be obtained for that which has been lost. Replacements must now come from three principal groups, (1) high school and college graduate girls; (2) some experienced girls; and (3) men not presently vulnerable in the draft.

and trained young employees are bearing the brunt of the load, because, in addition to their regular duties, they have had to absorb much of the reallocated work. Theirs is the problem of members of our armed forces or in congetting the work done and at the same nection with some civilian war activity while spread as much as possible to of necessity will not be able to manage

order that new people may progress and take on responsibilities as rapidly as

Wartime personnel problems are not all tangible. Men and women are often tense, nervous and unable to concentrate, and they look upon the future with troubled minds. This condition is not only recognized, but is being met with an attitude of sympathetic understanding and assistance in order that employees may readjust themselves to the new circumstances.

Time off for service interviews, examinations and check-ups must be granted. Time off to visit with relatives and friends in the military services causes more excused absences and vacation changes, but it seems that a liberal attitude in these matters is worth while.

Vice-president, St. Louis Union Trust Company, St. Louis

TOWNER PHELAN

In this war period should trust institutions continue an active new business bolicy!

By all means trust institutions should continue the active solicitation of new business during the war. Despite the profound changes which we may reasonably expect from the war, people will continue to engage in business, to accumulate estates, to die, and to need trust service. Since people will continue to need our services, we should be prepared to supply those services, and by the same token we should solicit trust new business.

The war, however, may result in de-The officers and remaining senior cided changes in the character of the market for trust service. For example, it opens up a new field of trust business since it results in many people of property engaging in the war effort either as time training new people. This training, in Washington or at home. These people equalize the burden, is requiring every their securities while they are engaged possible guidance and assistance in in war activities, and as a result many

of them are creating agencies, custodian accounts and living trusts with trust institutions. The war is also stimulating the making of new wills and the revising of old wills on the part of those people called into war activity.

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This is merely one example of how the war will affect the character of prospective trust business. The tremendous expenditures required to finance the war and the staggering burden of taxation which it entails may be expected to make it difficult, if not impossible, for people to accumulate large fortunes in the future. Meantime, heavy tax burdens and the normal erosion of investment losses and unprofitable enterprises will take their usual toll on existing fortunes. It seems obvious, therefore, that there will be fewer large fortunes in the future and the trust institutions must look more and more to the estates of people of relatively moderate means to sustain their volume of business. It would, therefore, seem that a reasonable new business policy for trust institutions in wartime would be that of seeking actively to develop new business and to take into account the changing character of the new business available that will result from the

Vice-president, The Pennsylvania Company, Philadelphia

-FRANK G. SAYRE



What is the opinion of trust men generally about the future of their business in view

of the probable dwindling size of estates?

THE future of trust business, in view of the probable dwindling size of estates is naturally a matter of concern to all trust men and trust institutions. We should not be unduly pessimistic about the prospect, as the trust business has survived for many years through many cycles of depression and change and has been able to function satisfactorily. On the other hand the outlook in this respect does not give ground for any great degree of optimism.

For the duration of the war and the period of readjustment which will follow, we undoubtedly will be faced with the problem of handling satisfactorily to our clients and to ourselves smaller trusts and estates. This is a natural result of the heavy taxation period which is ahead of us. What we may lose through the size of individual estates and trusts will have to be made up through increased volume of smaller accounts, and it, therefore, behooves us all to gear ourselves and to put our trust departments on the basis whereby a large volume of moderate sized trusts may be handled efficiently and at a fair return to the institution. We cannot permit our service to deteriorate. Years of service have been devoted to perfecting and making efficient our services to our thousands of customers, and this must be maintained. Every economy that does not interfere with proper administration must be accomplished. It is more important than ever to analyze the cost of doing trust business and the individual types thereof. Many economies and eliminations can be made if all the officers and employees of the institution are made cost- and economyminded. New accounts should be carefully scanned to avoid the acceptance of unprofitable business.

ONE of the best methods of combating the situation of the multiplicity of small accounts is through the medium of discretionary common trust fund, which has as its first purpose a real service to the smaller trusts in giving them a wide diversification in investments, and which also from the standpoint of the trust institution results in economy operation. It is recommended that each institution give study to the possibility of establishing such a fund.

It is believed that more than ever in these trying times and the readjustment period that will follow the termination of the war, people will recognize the need for the conservation of their estates and the careful consideration of their securities and investment prob-

lems and will need the services of experienced trust institutions as never before. Business runs in cycles and it is not too optimistic to feel that at some future date people will be able to accumulate substantial estates for the benefit of their families. This is a natural instinct and development which is hard to keep down in a free country.

Deputy Manager, A.B.A., and Secretary, Trust Division

-MERLE E. SELECMAN

What general policy is being followed by

age insurance for property held in

Most of the larger trust institutions throughout the country have taken out the new government war damage insurance available July 1 on property owned by them as trustee. This general policy is revealed in a survey made recently by the Trust Division covering 60 institutions in 30 states. The chief exception to this general policy is by some institutions located in areas not trust institutions in regard to war dam- considered to be exposed to probable



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bomb damage, especially in the Middle West. But even in inland areas there are apparently more institutions which have obtained this coverage than those which have not.

The reasoning generally followed is that this insurance is taken out by prudent businessmen. The belief is expressed that it is unwise for a fiduciary to fail to take out adequate coverage where it has full responsibility and that failure to do so might constitute actionable negligence with resulting liability to the trustee. One trust man declared he would rather take a chance on surcharge for premiums, especially in view

of low cost, rather than on uncovered sary to get direction, such as agencies, custody accounts, revocable trusts, con-

In regard to insurance on property covered by mortgages held as trust investments the general policy, except in some inland areas, has been to require mortgagors to take out this coverage if such authority exists in the instrument. Otherwise, the policy has been to request it and to handle individually the cases where it is not forthcoming. The cost is either charged to the mortgage or to the trust. Little difficulty is anticipated in getting this coverage from mortgagors.

In regard to cases where it is neces-

sary to get direction, such as agencies, custody accounts, revocable trusts, consultancies, cotrustees, etc. the general policy has been to recommend this insurance and obtain instructions.

President, A.B.A. Trust Division, and Vice-president and Senior Trust Officer, Wachovia Bank and Trust Company, Winston-Salem, N. C.

RICHARD G. STOCKTON

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What effect will the higher income and death taxes have on the trust business?

THE ultimate disappearance of large estates because of higher income and estate taxes will have a most far-reaching effect on future trust business. Even if it became clear to Congress that the future economic welfare of our country required that no further increases be made in our present estate taxes, the present generation will be the last to leave estates of large proportions. Apart from this situation as to inherited wealth, the income tax rates which our citizens undoubtedly face for a long time to come will make it impossible to build up many large estates. Therefore, the trust business will be confronted with the necessity of handling much smaller estates and trusts. This is generally recognized by trust men and preparations are being made to enable them to handle this work efficiently. An outstanding illustration of these efforts is the common trust fund.

While statistics recently compiled explode the popular conception that trust companies for the most part deal only with the very wealthy, the continuing for a long period of time of high tax rates will have the effect of broadening even further the scope of trust service. The organization of a successful trust company in the future will have to be such that it can handle even the very small accounts. This will naturally create the necessity of being more aggressive in securing a greater volume sufficient to cover operating expenses and provide a reasonable profit. Trust

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companies will thus be rendering service to a larger proportion of our population.

It is also probable that the trend of sharply increased income taxes will limit the creation of irrevocable trusts. It will be almost impossible to accumulate out of income the amount required to pay the gift tax on an irrevocable trust of any size and there will be a natural disinclination to reduce one's assets by a sale in order to pay the gift tax. People of wealth are already having serious difficulty in obtaining enough net income to take care of their living expenses and existing obligations. They will be disinclined to take a step that will reduce further such net income during their lives notwithstanding legitimate savings in income and estate taxes that might be effected by the creation of an irrevocable trust.

Vice-president, First Trust Company of St. Paul State Bank, St. Paul, Minn. -LOUIS A. HEADLEY

Many trust men believe the Massachusetts "prudent man rule" of trust inrestments will enable them to render better service to their trust customers. Should these trust men continue their efforts during this war period to obtain such enabling legislation in their own

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YES. By all means. There is nothing more important in trust administration than a grant of adequate investment powers. Most carefully drawn trust instruments now appoint a skillful person or corporation as trustee and endow him or it with wide discretion in the investment of funds. When reliance upon the rule of prudence has become as general as it is today, it is desirable that it be embodied in the law, leaving the exceptional case to special treatment. This is so not only for the benefit of those who fail through neglect to adopt the modern rule, but in fairness to the many testators and settlers in the past who have relied on the state to keep investment provisions up to date. When trusteeship was an avocation and the trustee too often inexperienced, many legislatures felt it necessary to fix by formulas the types of securities in which a trustee might invest; and when investments were simple and the law certain that was not difficult to do. But great changes have come. Trusteeship is increasingly the business of experts; investments are far flung, their values are complicated, and their dangers insidious. "Legals" partly because they are "legals"; newspaper advertisements.

corporate financing is increasingly done through equities, making first liens less available; the new jurisprudence does not attach the same value to a contract that the old jurisprudence did; the dollar is not what it used to be. In a changing world reliance upon formulas has proved an inadequate alternative for sound judgment. In virtually all other functions a trustee's performance is judged by the rule of prudence. It has proved to be safe and effective where applied in the investment of funds. It could well be adopted everywhere as a rule of law.

The war with its attendant upheaval of old standards makes it more important rather than less that the investment powers of trustees be adequate. If funds are to preserve values those responsible for their management must be in position to move freely in any direction as prudence dictates. The need for broad powers is widely felt. Their grant by legislation should be diligently pressed.

Vice-president and Trust Officer, H. M. BARDT, Bank of America, N. T. & S. A., Los Angeles-H. M. BARDT



Are trust institutions active in making available their services to men in the armed forces and those absorbed in war

Based upon correspondence with trust men located in several sections of the country, it would appear that trust institutions, generally, are doing everything possible to make their services available to men in the armed forces, and to a somewhat lesser extent to those absorbed in war work.

In the Pacific Coast area, where a large portion of the war industries are situated, this has been particularly notable. Many of the trust institutions are offering their services to men in the armed services, with manifestly justified exceptions, for fees that are calculated to absorb the actual costs only. In one or two instances, institutions now yield an inordinately low return have publicly made this offer through

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### MILLERS NATIONAL Insurance Company

ILLINOIS BURB

Insurance Company HOME OFFICE CHILCRED A peculiar type of agency service has been devised and is being offered by several trust institutions in the Southern California area, to employees of several aircraft manufacturers who are sent to foreign countries. The usual arrangement provides for the payment of a small portion of the monthly salaries to the employees, directly, in the foreign countries, and the remainder to the trust institutions as agent. The latter, under a letter of instructions, undertakes to pay certain designated monthly obligations, as well as the purchase of War Savings Bonds and the deposit of the balance, if any, to a

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A peculiar type of agency service has savings account in the name of the em devised and is being offered by veral trust institutions in the South-n California area, to employees of such accounts have been accepted by veral aircraft manufacturers who are not foreign countries. The usual

Director, Trust Research Department, The Graduate School of Banking —GILBERT T. STEPHENSON

What is being done in the various states to solve the problems of beneficiaries in military service reported "missing"?

A PERSON who has not been heard

from for seven years is presumed to be dead. His estate or any estate in which he is interested may, after the lapse of seven years, be settled or administered as if his death had been proved.

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In the case of a beneficiary in military service reported "missing," unless it is otherwise provided by the terms of the will or trust, the executor or trustee should wait until the lapse of seven years before making any payments or distributions to which the missing beneficiary would be entitled if he were still alive. This delay would, in many cases. work great hardship upon succeeding beneficiaries, who in many cases would be his wife and children. In order to avoid such hardship, draftsmen are incorporating in wills and trust agreements a provision authorizing the executor or trustee, as the case may be. to make payments or distributions to succeeding beneficiaries as soon as or within a stated time (frequently a year) after the immediate beneficiary has been reported missing.

Every trust institution, which now has in its files wills or trust agreements of men in military service or in which they are immediate beneficiaries, should call this matter to the attention of the testator or settler or his attorney and suggest the inclusion in the instrument of an appropriate provision authorizing payments and distributions to succeeding beneficiaries without awaiting the lapse of seven years. A collection of such provisions will be found in a study, "Trust Institutions in Wartime," published as a supplement to the July-August 1942 issue of The

Trust Bulletin.

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is engaged primarily in facilitating wholesale distribution and retail sales of consumer goods manufactured by GENERAL MOTORS CORPORATION and its affiliates or sold by dealers in its products, such as automobiles

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dard form of note. This obligation it offers to banks and institutions, in convenient maturities and denominations at current discount rates.



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EXECUTIVE OFFICE NEW YORK . BRANCHES IN PRINCIPAL CITIES

Vice-president, Guaranty Trust Company of New York—HENRY A. THEIS



What is the outlook for Trust Department earnings?

Quite generally, the trust business entered the war period inadequately paid for the services rendered, and responsibilities and liabilities assumed. This is equally true of personal trusts

Se

and personal agencies which, together, constitute by far the largest part of the trust business. Some progress towards an improvement in this situation was being made prior to our entry into the war, but the all-out war effort has resulted in new dislocations in the conduct of trust business and makes necessary a re-study of the problem. In no way could it be said that trust compensation affects prices and so we need have no concern about the spiral of inflation. Our sole consideration, therefore, is the equity involved.

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Nothing has occurred since our entry into the war that should cause us to alter the objectives we had before the war. A business, to function properly, must prosper, otherwise the business degenerates. Trust business serves a real social and economic need for the man of modest means as well as for the well-to-do. It deserves to prosper. Consequently, we should continue the efforts to put trust business on a proper paying basis and to keep it there. To do this we must have higher and more uniform compensation, and we must relentlessly keep after economies in operation without, however, destroying operating efficiency.

With the dislocations brought about by our entry into the war (loss of trained personnel, governmental regulations, increased intricacies in the tax structure, personal services on the home front, and so on) it will hardly be possible to reduce the over-all expense of running a trust department. Part of the increase in expense, brought about by the war dislocations, probably should be absorbed by the trust business as its contribution to the war effort. But before that can be done with safety we must first get the increased compensation to which we felt we were entitled before we entered the war.

Assistant General Counsel, Board of Governors, Federal Reserve System

-B. MAGRUDER WINGFIELD



Is the Common Trust Fund helpful in serving smaller estates?

# ABOUT AN IDEA THAT MAY INTEREST SOME OF YOUR INDUSTRIAL CUSTOMERS OR PROSPECTS...

and make a striking war bond display available free of charge to hundreds of banks (including your own) as part of the bargain . . .

BANK OFFICERS and Directors know that many companies now manufacturing war weapons instead of normal peacetime products are seeking economical methods of maintaining favor in the eyes of the public. It's essential to keep in touch with old customers even though civilian goods have gone to war.

Lockheed Aircraft Corporation discovered that one way to do this was to build itinerant war bond displays around its Lockheed P-38 interceptor plane and distribute the displays free of charge (except for a few dollars in express costs) to banks for 10-day showings in bank windows and lobbies. Thirty Lockheed displays are now being routed to over 500 banks which requested them.

Perhaps one of your own good customers or prospects would like to get a message across to millions of Americans through a medium that is unquestionably patriotic.

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The principal if not indeed the controlling reason why the Reserve Board on December 31, 1937 issued regulations which made feasible the operation of Common Trust funds was the belief that such funds would facilitate the administration of smaller trust estates.

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The following statement made by the Committee on Common Trust Funds of the American Bankers Association in recommending the adoption of such regulations is of interest in this connection:

Unless trust institutions can serve well beneficiaries of small trusts, they will have lost much of the reason for their existence. The better they can meet the needs of such beneficiaries the greater social purpose they will

Common trust funds make possible broad diversification in the investment of funds of smaller trusts. This should greatly aid in the conservation of assets of smaller trusts. A default in one security held in a common trust fund would ordinarily have a comparatively minor effect on the total amount of a participating trust estate. It appears from annual reports of common trust funds that investments in securities of any one corporation are often less than 3 per cent of the fund. Also, there is broad diversification in the kinds of securities such as government bonds, corporate bonds, and stocks, and in classes of corporations represented.

COMMON trust funds should enable trust companies to invest funds of smaller trusts more efficiently and at a lower cost. The time and expense involved in making numerous small investments for separate accounts should be greatly reduced through the investment of larger amounts in a common trust fund for various participating trusts. Trust companies should also be able to give more careful and economical supervision to investments held by common trust funds on behalf of such smaller trusts than they can where the funds have been invested in numerous small amounts for the account of each trust.

Various institutions operating common trust funds have estimated that the investment of a typical trust through a common trust fund has resulted in a saving of from 27 to 50 per cent of the cost of administration of the trust. It has also been estimated by trust institutions located in one of the larger cities that they can through the use of common trust funds handle trust accounts of \$4,000 and \$5,000 without losing money.

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FREDERICK A. CARROLL



What should be the attitude of corporate trustees toward accepting appointments as executor, guardian, and trustee to serve during the absence of of the person holding such office while that person is in the military service of the United States?

ORPORATE trustees have been ready and willing to make every possible contribution to the war effort and if the acceptance of any appointment described in the question is a contribution to the war effort, I know corporate trustees will be ready and willing to act.

Advantages are tangible and intan-

Vice-president and Trust Officer, Na- gible. For the corporate trust business generally, there is an opportunity to prove its worth to the community, and, as one of my friends in the business said, "A very tangible value is that this emergency opportunity demonstrates, as no amount of advertising ever could do, the advantage of permanence possessed by the corporate trustee." To the particular corporate trustee there is the opportunity to have the persons who come in contact through these appointments, learn more about the kind and efficiency of its services, which may lead to other business.

While we all fervently hope that it may not be so, as realists we know that not all of the individual trustees, executors or guardians will return. Even of those who do return, some will not resume their pre-war activities, and some may wish to continue the wartime arrangement or to serve as a cofiduciary.

A corporate trustee cannot accept an appointment without consideration of the soundness of the act from the standpoint of its own institution. For instance, it should not subject itself, and therefore its stockholders, to a potential liability because of the acts of its predecessors, merely because of a desire

to be patriotic. While it may be willing to accept such appointments, and in so doing relax its ordinary acceptance standards and make sacrifices such as extra effort without commensurate compensation, it cannot lose sight of its primary responsibility to its stockholders, for the directors and management are in the relationship of semitrusteeship to the stockholders.

 ${
m T}_{
m HE}$  corporate trustee, therefore, should not accept such appointments unless everything up to the point of its taking over is cleared, either by the court or by existing laws, and thereafter it is responsible only for its own acts. It may not be possible because of the exigencies of the situation to get this clearance through the courts. If it is not, then there must be legislation passed such as we find in England in the Trustees Act of 1925, and recently in Rhode Island, Pennsylvania, New York and New Jersey.

Such legislation, in a word, provides for the temporary appointment of a successor or for the appointment of an attorney to act for the absent fiduciary, but relieves the temporary appointee of responsibility for the acts of his predecessor.

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## War Damage Insurance

BANKING'S Washington correspondent — HERBERT M. BRATTER.

The first statistical reports to the War Damage Corporation from its numerous agents were due on August 20, a date unfortunately too late to permit the inclusion of the information here. It may be assumed, however, that the bulk of the public's applications have come from the Atlantic and Pacific coastal areas for in these regions are concentrated the greater part of the corporation's insurable values.

Also it should be pointed out that the War Damage Corporation is new and its various procedures will probably undergo considerable changes in this early stage. Therefore, this report to the "convention in print," while it is as complete as can be pieced together in Washington at this time (August 15), should be considered in the light of this changing situation.

The war damage insurance program has been well received by banks and other financial institutions, and from information that has thus far come to hand, it appears that most if not all financial institutions have protected their own property. They have also generally protected against war damage their interests in mortgaged property, requesting or suggesting to mortgagors that the latter obtain policies.

That the program has been so well received has been due in important measure to the cooperation of the insurance industry, including the various types of fire insurance companies, as well as the cooperation of the regulatory authorities. The insurance commissioners have been extremely helpful in facilitating the operation of the war damage insurance program through the fire insurance companies and agents.

It has been necessary to organize the work of the War Damage Corporation and to formulate a program embracing practically all types of property and insurance in a comparatively short period of time. Not only has this been a big job, but the effort toward simplification

undoubtedly has resulted in some minor individual difficulties related to the kind of protection desired or offered. This is a streamlined kind of insurance.

The corporation issues, for example, no reporting types of policies, such as merchants with fluctuating inventories normally employ during peacetime. It conducts its operations on a low cost basis. By statute it is restricted to uniform rates, which is another reason why it must keep costs as well as staff down to a minimum. It has been its definite policy not to build up a large administrative staff in Washington or elsewhere.

The business of the War Damage Corporation is, as all readers of this magazine know, a subsidiary of the Reconstruction Finance Corporation. Most of the directors of the War Damage Corporation are also directors of the RFC. Hardly a handful of employees in Washington devote their full time to the War Damage Corporation. In fact, only three of the corporation's officers devote all or most of their time to the work of the corporation. The 12 Federal Reserve banks act as its fiscal agents.

Frank T. Christensen, who is executive vice-president of the corporation and who in private life is an insurance company official, has been devoting

much of his time to the organization of the War Damage Corporation.

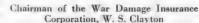
The War Damage Corporation also

The War Damage Corporation also uses the private insurance companies and all their facilities. By and large, they must keep the primary records, although duplicate information is filed with the Federal Reserve banks and with the War Damage Corporation in Washington.

Soon after the corporation started operation on July 1, it issued several amendments to the original program. Notable among these was the one which liberalized the coinsurance requirement as it relates to the interests of mortgagees. Another amendment related to the lifting of the limits which previously applied to commercial dealers in furs and jewelry. Those amendments also made provision for the insurance of standing timber.

One or two other amendments are under consideration. The American Bankers Association, the 12 Federal Reserve banks, and other institutions dealing in money and securities, from time to time have made representations to the War Damage Corporation with respect to the need for insuring this type of property. Among other things, they have stressed the favorable experience of private insurance carriers with regard to registered mail, inland marine, and blanket bond coverage. The corporation is attempting to work out some kind of adequate coverage for securities and currency of financial institutions, both while located on the premises of such institutions as well as while in transit. The program for insuring securities and currency will be handled in substantially the same manner as other war damage insurance is already being handled through the corporation's fiduciary agents. There will be this innovation, however-inland marine and casualty and surety companies which customarily issue registered mail insurance and blanket bond protection will join the list of the War

(CONTINUED ON PAGE 130)





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too late"



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## CLEVELAND IS "furning it out" FOR THE WAR EFFORT!

The chips fly thick and fast when industrial Cleveland tackles a job. When war production called for machine tools, Cleveland, already one of the country's biggest producers, began turning them out at a startling rate.

One major plant, by October, will be producing at four times its 1940 rate. Others, too, have done yeoman jobs of expansion.

For 52 years, Central National Bank has been closely allied with Cleveland's industrial programs.

For prompt handling of collections and transit items in this important Great Lakes area, why not use the complete facilities of this "on-the-ground" bank?



(CONTINUED FROM PAGE 128)
Damage Corporation's fiduciary agents.

There has been some demand for other amendments to the corporation's insurance regulations. As this article goes to press, the corporation is currently considering the insurance problems of libraries, museums, and other cultural institutions.

The special policy drafted by the corporation (WDC Form No. 1, July, 1942), is the "interest" type of policy, as distinct from the customary "sole and undivided ownership" type. It contains no mortgage clause, but simply designates the loss payee or payees. Both from the viewpoint of the War Damage Corporation, as well as from that of mortgagors, it seems desirable that property be insured in the name of the owner, with the mortgagee named as loss payee.

There has been much public interest in the question of the mortgagee's right to require the mortgagor to insure the former's interest in the property against war damage. This involves a nice legal question. Ordinarily, mortgage agreements require the property to be insured against ordinary risks, such as fire. Such agreements entered into before the war, it might be argued, did not have in mind war risks, unless specifically mentioned in the agreement. Just what the courts would hold on this point is anyone's guess.

The attitude of various institutional mortgage holders on this point has not been uniform. Some have insisted, not always successfully, that the mortgagor is obligated to take out such protection. A second group have offered to share the cost of the insurance with the mortgagor. Others, again, have consented to the mortgagors' deducting such cost from their interest and amortization payments, while still others have taken out their own damage policies on their interest in mortgaged property. No instance has come to the corporation's attention of a mortgagee bringing foreclosure proceedings as a result of an owner's refusal to take out a war dam-

From the War Damage Corporation's standpoint, there is nothing compulsory about war damage insurance.

No attempt has been made here to give all the provisions relating to the protection obtainable through the War Damage Corporation. In the July issue of BANKING and in the ABA's *Protective Bulletin* for July-August 1942 you will find other general information on the subject. Anyone interested in further details may get them from his broker.

For



## ictory — Buy U. S. War Bonds and Stamps

## Keep America Strong!

Our faith in the victorious conclusion for the United Nations of the mighty world conflict now raging, stems from the confidence that our cause is just and that our will and courage combined with our resources and economic strength are equal to the task.

Yes, we have the strength for victory—if we maintain that strength.

We must keep America strong.

Back of far-flung battle fronts are long lines of supply ships, planes, railroads and motor vehicles; mines, farms, factories, shipyards, banks, retail markets, civilian business enterprises, homes, hospitals, churches, schools, and seats of government, local and national. These, with her intrepid men and women constitute America's economic strength which must sustain the armies of free men who will overcome our enemies.



Insurance companies and their agents are having and will continue to have a major part of the responsibility in the imperative task of safeguarding our vital economic and industrial fronts. Ex-

perience and vigilance are their arms.

The Commercial Union Group stands ready as always, through its seven Fire and two Casualty and Bonding companies and their agents, to render the fullest insurance service obtainable, for the protection of civilian and war enterprises. With Fire Prevention and Safety Engineering staff and facilities second to none, we consider that our first function is the prevention of avoidable accidental personal injuries, fires or other property damage and business interruption. Unquestioned financial resources guarantee prompt indemnification if loss occurs.

We will keep America strong.

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## **Bank Protection in Wartime**

BECAUSE of the nature and importance of their business, banks have been leaders in air-raid protection and war risk insurance. We present here, briefly, a rounded war risk program from the point of view of a large bank.

Second Vice-president, The Chase National Bank of the City of New York - FRED C. EGGERSTEDT

TTHIN 10 minutes after special air-raid alarm bells sound throughout the floors of the various buildings comprising our Head Office organization, thousands of staff members arrive in orderly fashion in their safety areas, cash and securities have been moved to the vaults, records and other valuables are under cover, windows are open, lights are out, emergency medical quarters are staffed, fire brigade trucks are manned—and we are ready for whatever may come.

The Chase bank's air-raid defense program was put into effect soon after war was declared. Nevertheless, it is still in the process of refinement, with frequent surprise tests bringing to light minor imperfections in the plan. As is the case in any organization, which must consider the many differing factors such as type of building construction, available safety areas and total personnel, our program was the result of careful study and planning based upon certain general instructions issued by the Office of Civilian Defense and the New York City Police Department. Any bank can readily accomplish the same result by a study of its own particular circumstances. Surprise tests frequent enough to keep the organization alert will effectively disclose any weaknesses.

SAFETY of the staff must be given first consideration; next comes the safeguarding of cash, securities and records. Our plan was based upon this premise. Every employee received a printed card of instructions which specified the safety areas in our various buildings. In an emergency, employees who may be away from their desks go to the nearest safety area rather than return to their particular quarters. One of our early tests pointed to the logic of this point.

addition there are a number of monitors main building, as an example, is an in simultaneous warning.



Inspecting the apparatus of one of the Chase bank's emergency equipment squad trucks -left to right, J. F. Smith, John Sigmund, and Mr. Eggerstedt

on each floor to conduct personnel to safety areas. Those assigned to take care of cash and securities are provided with containers which can be filled quickly and taken to the vaults. Each elevator in the various buildings is assigned a specific function, several to take securities to the vaults located below street level, others to take doctors and nurses to first aid stations, while others under the control of wardens, move personnel to floors with safety areas.

Building engineers and porters man our fire brigade trucks, and they are thoroughly drilled in the handling of incendiary bombs, fire fighting and emergency repair work. Our portable trucks, compact enough to enter the elevators, carry 60 items of equipment, such as fire-fighting apparatus, shovels, pickaxes, sand, hose, lamps, fuses, asbestos pads and gloves, and other items. They are located at strategic points in our buildings. Each floor has been provided with first aid supplies, buckets of sand, and fire extinguishers and emergency phone outlets are located at many points. Several hundred members of our staff have taken first-aid courses and have been approved for emergency service by our Medical Department.

Our planning was made complex by the fact that our Head Office is located in two main buildings, in one of which is centered our commercial banking activities and in the other our Trust Department. Our other buildings adjacent to these large bank buildings were a Each level has a floor warden, and in further complication. Adjoining our

eight-story structure which we consider unsafe in event of air raids. It was necessary, therefore, to provide safety areas in our main building for these workers.

We have been informed that all but the upper four or five floors of a steel and concrete structure are relatively safe from bombs, and we therefore have arranged to evacuate these levels. Personnel on the ground floor and below are moved to our second floor, which is 45 feet above street level.

After individual instructions were issued, meetings were held with small groups and departments, at which our program was outlined in detail. Suggestions were invited, and many were found to be helpful. Thereafter drills were staged, a floor at a time, to test the plan, and minor changes resulting from delays and overcrowded dispersal areas were effected. After all floors were tested, each group of buildings had an all-out surprise alarm. The speed with which the floors were evacuated and valuables moved to the vaults was highly satisfactory.

As new employees enter the bank they receive a copy of the original instructions, and each department has its own specific plan posted prominently on the walls and bulletin boards. Alternates are appointed for all wardens, monitors and first aid volunteers, who act in case the principal is unavailable through illness or vacation, or at lunch. eon. Alarm bells are controlled from our central watch room, which connects with all floors of all buildings and results



## AGRICULTURAL CREDIT

## Financing Food-for-Freedom

Vice-president Bank of America N. T. & S. A., San Francisco, and member, A.B.A. Food-for-Freedom Committee— JESSE W. TAPP



A RECENT report of the United States Department of Agriculture states that "a banner year for crop and live-stock production appears in the making." Thus the 1942 Food-for-Freedom program appears to be a substantial success. This is further emphasized in the prospect for a record production of such items as soybeans, peanuts, flaxseed, rice, sugar beets, canning vegetables, beans, dairy products, pork, and poultry products. These are the foods for which greatly increased production goals were established in 1942.

The crop and livestock producers of the United States can be justly proud of their response to their Government's request for more food for our armed forces and for lease-lend needs. Domestic consumers should be reassured by this demonstration of the ability of American agriculture to produce abundantly in a time of national need. Herein

lies the consumers best guarantee of adequate food at reasonable prices.

All bankers who have participated in the financing of the 1942 Food-for-Freedom program, or lent encouragement to it, can also be justly proud of their efforts. The timely efforts of the American Bankers Association were most helpful in mobilizing the resources of the banks in support of this important part of our war activity. This effort has received the wide support of farmers, agricultural leaders and others concerned with the unprecedented tasks assigned to American farmers and the related food industries.

All who have used the A.B.A. manual, "How Banks Can Assist in the Food-for-Freedom Program," recognize that it contains suggestions of continuing value in the field of agricultural lending. As the war proceeds the specific production goals will be adjusted to new conditions. But the necessity for continuous cooperation on all fronts to meet these goals becomes increasingly imperative.

Since the manual was issued in March 1942, over 2,000 county meetings have been held in conformity with the suggestions set forth in the manual. These meetings have provided bankers with opportunities to assist the county and state United States Department of Agriculture war boards in their efforts to attain the needed expansion in food production. Reports from all parts of the country confirm the effectiveness of this type of cooperation between bankers, farmers and official agencies. Typical of such reports are the following paragraphs from a banker who sent out some 200 letters to prospective farmer

For the first few weeks approximately three to five customers per day visited the bank re-

questing loans as outlined in the letter. Since that time we have averaged about two customers per day requesting this type of loan.

We have made a great many loans and, of course, those people who have borrowed have told their neighbors, with the result that a great many farmers have called on us. We did not make loans to everybody who applied, but we feel the effort has well repaid us for the many additional loans we have made and the additional customers and friends who have called

THE price guarantees provided to farmers were a potent factor in bringing about a quick expansion of most lines of farm production. Such guarantees will no doubt be continued in 1943. They minimize the risks which farmers and lending agencies are asked to assume in the food production program. In view of such guarantees and the urgency of the national need for ample supplies, it is obvious that many prudent farmers, who ordinarily use little if any credit, may expand their operations through the judicious use of credit in 1943. Expansion by the more efficient and prudent operators is also less likely to lead to difficult readjustment problems at a later date.

The general pattern of the 1943 food production program will probably not differ greatly from that of 1942. There will be more emphasis on certain items which conserve shipping and provide products which can be used in the far corners of the world, where our armed forces or those of our allies may be located.

Such items as dehydrated vegetables, dried fruits, dried eggs, and dried milk products are of increasing importance from this point of view. It is also vital to maintain or increase the level of production of vegetable and animal fats, oils and proteins. This means a continued high level of production of hogs, beef, poultry, soybeans, peanuts, etc.

Some expansion in cotton and wool productions also appears desirable, with emphasis on more long staple cotton.

The specific production "goals" for 1943 will be announced by the Department of Agriculture at an early date. Bankers will want to acquaint themselves with these goals in order that they may be in a better position to meet the credit needs of their farmer borrowers. Bankers can obtain the details of the production goals for their communities by contacting their county United States Department of Agriculture war boards. By having this information the banker will not only be able to better handle his own problems but he will also be in a strong position to assist the county and state agricultural officials in making the food production program a success.

These 1943 production goals may not be as easily attainable as were the corresponding goals of 1942. The problem of farm labor will be accentuated by the continued drains of farm people to the war industries and to the armed services. Less new farm equipment will be available. The necessity for repairs and maintenance of existing equipment will be more pressing. Lack of adequate transportation may force some readjustments in the production of commodities dependent upon long hauls to distant markets. Limitations of processing capacity or materials such as tin will also become increasingly important.

BECAUSE of these difficulties which lie in 1943 will be expected to participate eventually develop.

to an increasing extent in efforts to overcome obstacles to all-out production of foods and fiber. The response of bankers to the 1942 Food-for-Freedom program is ample evidence that they will do their part in this continuing

THE urgency of the 1943 food production program does not relieve bankers or farmers of the necessity of avoiding an excessive use of credit. Farm mortgage debts are being reduced. It is obvious that the nation's best interests will be served if this reduction of long term farm debts is substantial in the years immediately ahead. This will place farmers and lending agencies in a ahead, bankers serving the farming stronger position to meet any post-war areas and the food processing industries readjustment problems which may

## The Country Banker's Job

President, Iowa Trust & Savings Bank, Estherville-K. J. McDONALD



VERY red blooded American must feel a restless urge to do his part. his utmost to bring victory and peace to a war-torn world. Fortunate indeed are those who have a clear cut program before them, who can realize the satisfaction of concrete service. The country banker finds himself in such an enviable position today. He shares with the farmer and those others engaged in agriculture, the responsibility of producing the food which is so vital a necessity. His program of service is one of leadership and action. The outline of that program has been set forth in the American Bankers Association manual "How Banks Can Assist in the Foodfor-Freedom Program."

The individual farmer has before him a four-fold responsibility:

First: To produce, produce and produce. He must use every resource at hand to accomplish this without incurring long term obligations in the purchase of war scarce and war needed materials. Longer hours, harder work, bronzed faces and slimmer waistlines for those who had thought their days of hard work over, a brief farewell and God speed to sons who had been carrying the load, a fierce determination to carry on with increased production-our American farmers deserve tribute for what they are accomplishing.

Second: To pay debts. Any man receiving a good income today, who still can't pay debts, will never be a good credit risk. Getting and keeping our own finances in good shape is very definitely a part of the war program. It is not fair, it is not constructive, it is not patriotic, to expect either our Government or others to carry credit liabilities for those who fail to recognize their own responsibility of debt repayment.

Third: To create savings. Only farmers with debts and no reserves must liquidate their assets in adverse times. It is a self-evident, but never to be forgotten, fact that depressions and hard times have little effect on those who can carry through without forced liquidation. Even those with long term debts, such as real estate mortgages, can protect themselves by paying principal payments in advance and creating sav-

ings to take care of interest and taxes and unforeseen contingencies.

Fourth: To buy War Bonds. The importance of this is recognized by every-

These four points may be considered of equal importance, they are interrelated, and no farmer has fulfilled his entire responsibility without accomplishing all of them.

CAN there be any question as to what financial agency is best equipped and prepared to help attain these goals? This war has been called a mechanized war, yet it cannot be won by machinery, by corporations or by unions. The war will be won by the united and unselfish effort of individuals—individuals in the armed forces, individuals in factories, individuals behind desks, and individuals on farms. Financing the needs of agriculture is as individualistic as the farmer himself. Every agricultural loan is a separate credit problem and possibility.

Agricultural financing requires a human approach, a human understanding. Our farmer friends are busy men these days. Higher prices, guaranteed price supports, the need for greater production, farm labor shortage, higher operating costs, have created new financial problems. The farmer needs the financial help and counsel of an understanding friend who knows him as well as his problems. He needs that help in attaining this four-point program. Here is a challenge to the country banker. Considerable knowledge and understanding is necessary. Someone in every country bank must have the responsibility of studying these new problems, of going into the country to visit with customers to learn more about their individual problems, of visiting with those who haven't been in the habit of coming into the bank.

LOANS are being repaid. It is up to every country banker to recognize that the funds in his bank which are available for lending constitute resources needed by our country in this Food-for-Freedom program. It is up to every country banker to use every effort in his power to see that all available funds are used, wisely and constructively; to among agricultural leaders. This is insee that all needs for legitimate financ- deed gratifying. Particularly significant

ing are taken care of; to go further, to help his customers plan their debt repayment, to help them create savings, to sell them War Bonds.

Yes, the country banker has a definite. clear cut duty, and opportunity of service to his country and his fellowmen. Food-for-Freedom victory flags should be given to country bankers who fill this responsibility, and such a flag should fly from the top of every country bank.

No other credit agency can do this job as well. No other credit agency is equipped to give that personal attention, no other has the human understanding of the individual problems. Country banking is creating goodwill both in our respective communities and

is the wholehearted reaction on the part of country bankers themselves.

Food-for-Freedom is a war need. Yet. financing this need, and the procedure outlined in the manual "How Banks Can Assist in the Food-for-Freedom Program" is just good, sound agricultural banking. The problems of agricultural financing are complex. Because of this, because there is so much more we must learn for our own good as well as that of our customers, because the agricultural needs today are so urgent, we must recognize that the Food-for-Freedom manual, and our application of the principles set forth therein, is just the beginning of deeper study, of greater effort, of increased service.

## An Outside Program for Country Banks

Manager, Agricultural Department, The National Bank & Trust Company of Norwich, New York -- NICHOLAS A. **IAMBA** 

TARMING is big business in America today. Even the outcome of this world war now hinges in large part on the food and agricultural products that farmers must produce efficiently in large volume.

Because of the present trend in agriculture towards extreme commercialization, most agricultural operations are becoming highly mechanized and depend each year on the use of more power equipment. The individual farm enterprise now has larger inventories of livestock and supplies, and makes greater purchases of seed, feed and fertilizers. All of these trends require the use of greater amounts of farm credit. All of these operations must proceed without interruption and consequently require dependable sources of credit. The lack of assurance of a dependable source of credit has been the principal reason during the last decade why many farmers have transferred much of their financing to the offices of Federal farm credit agencies and to finance companies, or have left it to the dealers and merchants with whom they deal to furnish much of the credit they use.

An outside program for country banks means that country bankers must expand the value of their credit services to their farmer-customers by conducting more banking outside the offices of their banking institution.

Some bankers have long ago learned that farmers do business with a particular bank only because it is to their personal advantage to deal with that institution. Farmers dealing with these same banks have learned from their experience that the credit services they need and must have are available to them when they require them on a sound basis and at reasonable cost. Other bankers who have failed to recognize this fact have seen much, and will continue to see more, of their best farm credit business transferred to other banks, or to other credit agencies. When farm credit customers find it more advantageous to obtain their financing from sources other than banks, they will get their credit from such other sources.

The lack of a dependable and adequate local source of agricultural credit is an important reason why country

banks need to develop an outside program. Country bankers need to learn much more than they know now about the credit needs of the agriculture that is being conducted in their communities. Country bankers need to learn more about the potential capacities of the agricultural enterprises in their communities to repay borrowed funds. And country bankers need to learn more about the inherent abilities of the farmers in their communities to use capital and credit profitably in their farm operations. Only through activities conducted outside the office of a bank can bankers learn these important facts and thereby assure to good farmers the dependable financing they need to conduct their operations.

The secret of the successful growth of the production credit associations is their foundation on the basic principle



Mr. Jamba, left, checks up on a dairyman's herd





of dependable farm credit. These associations are federally-sponsored but otherwise farmer-operated sources of dependable credit. These associations don't expect a good farmer to borrow funds elsewhere to retire a debt maturing at an off-season period of time. The officers of these associations are thoroughly familiar with the nature of every farm operation and production and marketing problem existing in their trading territory. Their member-borrowers know this fact and have the assurance that their credit terms shall remain coincident with the nature of their business. These member-borrowers

of dependable farm credit. These associations are federally-sponsored but otherwise farmer-operated sources of dependable credit. These associations what a dependable source of farm credit means to their operations and for this reason continue to patronize the offices of their associations.

Any country banker thoroughly familiar with the size, character, location, amount of inventory and equipment, the credit structure, and the operating problems of a farm enterprise, and familiar also with the character and ability of the farm operator, can easily determine whether additional needs for operating credit to such enterprise are justified, sound, and can be expected to be repaid with a reasonable degree of certainty. Another reason country banks need an outside program is to learn these facts about every one of their customers. With this kind of knowledge, bankers can then give farmers the assurance they need that credit for sound production purposes is available to them on short notice and on repayment terms to fit their needs. An outside program should be geared to that type of activity.

The outside program should be in charge of a responsible officer who can devote at least part of his time working in the field contacting farmers. It should be conducted by a person familiar with farming and with farm operations, with farm problems, and with farm people. Technical knowledge of farm management principles and agricultural economics is not essential but highly desirable.

Such program activities should be predicated on the basic principle that every application for farm credit deserves careful consideration and that every sound need for credit that will merit approval is approved. The primary aim of such program should concern itself principally with the job of determining the soundness of every application for credit that is submitted to your bank. No effort should be spared to learn all the facts pertaining to each particular case.

"Food-for-Freedom"



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Here are some of the basic things bankers need to know about any commercial or industrial enterprise and agriculture as a business is entitled to the same rating today. An outside program is most essential in order to produce this information.

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1. Kind or type of business: Within the business of farming, as within the field of commerce and industry, exist a variety of agricultural enterprises. The type of a particular farm business has a direct effect upon the inherent risks involved in its operations.

It is important to know from what particular type of farm business your

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request for assistance is coming. Con sideration of the application should then be made in view of such other factors as affect such cases. The size of a farm enterprise, whether a fruit, poultry or dairy farm, for instance, has operating at a profit.

2. Location of the business: Location factors are of extreme importance to agriculture. It is safe to say in a general way that Wisconsin is a good place for a dairy farm. However, the exact location within your community of a particular dairy farm may be the one most serious factor limiting the income-producing ability of that enterprise.

3. Quality of the plant and its equipment: Whether factory, store, or farm, the equality of its resources, buildings, equipment, and income-producing stock is important. How else can you learn answers to these questions without at least one visit to the farm to see for yourself? This information should be reported in such manner and on such forms as to produce a permanent record for your files for future reference.

4. Quality of the management of the business: The accuracy of the answer a loaning officer obtains to this question will determine the quality of your loan and the chances of its repayment out of operating income, considering always that other factors are satisfactory.

This usually is the most difficult answer to get, especially when considering applications from new borrowers. How else can you get this answer in the case of farm loans without a farm visit made by a person with some experience in agriculture?

5. Financial condition of the enterprise: It hardly seems necessary to say that the financial statement of a farm enterprise is a most essential piece of information. Farm statements should be studied with the same thoroughness as any similar statement submitted by your largest commercial account. A farm credit statement is almost the first information a loaning officer will require. This statement properly prepared can tell a real story.

6. Records of past operations: Farmers, too, can submit profit and loss statements. An operating statement provides the evidence a loaning officer needs to convince him that a loan application should not be approved or to assure him that a loan can safely be expected to be repaid about as planned.

7. Repayment programs: Most farm loans should be scheduled for repayment on terms coincident with the purposes for which the loan is approved. Many difficulties on farm loans are encoun-

tered when this basic principle is violated. Consider carefully the purpose for which the loan is requested and base a repayment program to fit this purpose.

8. Safeguards: Country banks are considerable effect upon its chances of discovering that loans based on repayment schedules approaching one, two, or three years require some assurance of protection against the occurrence of unforeseen circumstances and to protect against losses from secondary creditors. A chattel mortgage provides this protection and insures the incomeproducing property against such dis- much to insure the future of a sound turbances during the existence of the agriculture.

loan. Chattel mortgages require a considerable amount of special servicing and much of the activities of your farm service department are likely to be taken up with this work. Chattels should be insured against loss from fire for the protection of the borrower and

A good outside program, properly conducted, will reveal profitable sources of new business for banks and will do

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## **Government Competition**

### A Discussion in Print

The problem faced by banks in meeting the competition of government in agricultural lending is discussed in this bankers' symposium.

Vice-president, Mercantile-Commerce Bank and Trust Company, St. Louis -WOOD NETHERLAND



SINCE 1935 the American Bankers Association has given continuous consideration to government lending agencies, and to the extent and nature of their competition with chartered banks. The Committee on Banking Studies made a comprehensive survey of the Association's membership and issued its booklet on government agencies. Although at that time the Association was concerned with respect to the potential danger of competition offered banks in agricultural areas by the Production Credit associations, the striking thing was that 54.2 per cent of the members who replied to the committee's questionnaire stated that these agencies were not of sufficient importance to warrant a detailed study of their operations. While this has been a live issue in a few states, in many others it is of no consequence. Thus, it seems that the matter remains a state association problem until there is some unanimity of opinion.

The problem must be viewed realistically. In 1933 debtors found themselves unable to pay and creditors, including banks, found themselves unable to collect. In this extremity the Government stepped in to bridge the gap and out of that distress many of the government agencies emerged. While we in the banking business thought many of these agencies were but emergency institutions, no such thought was in the mind even break and the Production Credit of those who had long held the contrary associations will fade out of the picture.

view. There has always been a large group in this country which has felt that agriculture should have its own cooperative credit system. In the financial stress of 1933, therefore, the opportunity was afforded to bring these agencies into being, and not altogether without the blessing and support of bankers themselves. As a matter of fact, loans by these agencies played no small part in relieving banks of what were then thought to be frozen assets, and thus these agencies made a large contribution to the reopening and rehabilitation of many banks, and materially assisted in the rapid liquidation of some banks which did not reopen after the bank holiday. Now that the distress is a matter of history, we should not be surprised to find these agencies endeavoring to perpetuate themselves. It is typical of many government institutions, once established, that they become a permanent part of the financial structure. The war, of course, has further complicated the situation.

THOSE of us in banking have no divine right to a monopoly on the granting of credit. Small loan companies, building and loan associations, credit unions, etc., are accepted by us as a legitimate part of the financial community. Cooperative credit organizations should have an equal opportunity in a free country. What we in the banking business have a right to demand is that all of such institutions be subjected to rules and regulations, supervision, taxation, and such other responsibilities of corporate citizenship as are required of our banks. That is to say, we have no fear of competition from Production Credit associations or any other institution of its kind if subsidies are withdrawn. We do object to the payment of taxes which are used for underwriting our own competition. It is inequitable, unfair and unAmerican. As one banker very aptly put it: "We feel a bit abused to say the least, when we spend our time selling government bonds if any of the national income is used to subsidize agencies which, by the very fact of this subsidy, is able to take away our bread and butter."

Eliminate the subsidy, give us an

Cashier, The Culpeper National Bank, Culpeper, Virginia

-GILES H. MILLER, IR.

I BELIEVE that practically every country bank in the nation is particularly interested at this time in competition of the Production Credit associations and the fact that they are making bank loans directly in competition with country banks, thereby cutting off a source of the country banks income. It is further felt. I believe, by banks and many farmers that they can secure this credit from banks and that the Production Credit association in many counties is not necessary.

If, in some counties, the banks are not doing the job they should, or there are not banking facilities in those counties, then the Production Credit in those sections is serving a worthwhile purpose. On the other hand, however, it does seem that these government agencies, who are paving no taxes, have unlimited funds from which to draw. and who have no responsibility to depositors, should at least be required, in fairness to banks who have withstood bad times as well as good, to be limited to supplemental loans rather than going all-out for bank loans.

On the application forms used in connection with an emergency crop loan, there is contained a section which reads as follows:

"Production Credit Association Certificate

"After considering the information given in the foregoing application we find that this association is unable to grant a loan sufficient to meet the applicant's needs at this time.

..... Production Credit Association By . . . . . . . . . . Secy.-Treas.'

It seems to me that if the Production Credit association would be limited to loans after such a statement by the farmer's own bank, together with one other bank, then there would be definite evidence that that farmer could not get credit from a bank and needs some other source of credit to call upon.

I believe that a discussion of this question and definite recommendations to many country banks, who apparently are not fully alive to the poten-

(CONTINUED ON PAGE 140)

## Set Idle Money to Fighting on the Food Front



What to do with deposits is a question facing every banker. You are anxious, of course, to put this money where it will aid our war effort, and where it will not have an inflationary effect.

May we offer a suggestion?

Plenty of food for ourselves and our allies, both fighters and civilians, is vital to victory. Abundant food at moderate prices forestalls a major cause of inflation. Few loans, perhaps none, are so safe new as those made to increase the production of urgently needed food.

Feeder cattle and lambs, feed grains or concentrates to finish animals already in the feedlot, milk cows or brood sows, fertilizers and inoculants to boost crop yields, all are things which can build up the food-producing power of farm and farmer. So are extra labor and new machinery, especially when needed to harvest crops already grown. Because so many farms have been drained of their labor, bank cooperation in financing machines may be doubly strategic. You can help the limited number of machines available find their way to farmers who need them most and will use them best, not merely those who happen to have ready money.

We do not presume to suggest ways and means, only to urge objectives. In our lay opinion the "Food for Freedom" book by the Agricultural Commission of the American Bankers Association offers an adequate and practical procedure. You will find Case dealers and other farm machinery merchants most helpful through their close contact with farmers and their expert knowledge of farm needs. J. I. Case Co., Racine, Wis.

## CASE

100 YEARS SERVICE TO AGRICULTURE

### **Government Competition**

(CONTINUED FROM PAGE 138)

tialities of this competition, would help them to help themselves, and perhaps bring about a change in the present laws in the Farm Credit Act of 1933.

Cashier, Home State Bank, Jefferson, Iowa—WARREN GARST

The old rule of success: "Find out what the people like and do more of it-ind out what they do not like and do less of it," applies to bank relationships with its farmer borrowers and the banks' competitive struggle with the governmental loaning agencies as well as to anything else.

The Ohio Bankers Association had an impartial survey made of all farmer borrowers in one township of a typical farm community. The indications of that survey and the judgment of a number of farm-minded bankers is that banks must offer as attractive a "package" as the governmental loaning agencies. This means that rates must be low enough not to arouse resistance, that there must be a sympathetic understanding from the farmer's point of view, and that "on the farm" service is highly desirable. There is no implication there of a lack of proper security

So far as we know, few bankers who have approached the problem from that point of view have been spending much time sitting on this competitive tack and letting out loud howls of anguish.

Executive Vice-president, First National Bank, Grand Island, Nebraska

—I. R. ALTER



The real emergency which gave birth to the Regional Agricultural Credit Corporation early in the Thirties was fully met by that corporation by lending millions of dollars to farmers and stockmen on all types of their collateral including beehives, chickens, and live-

stock and machinery. The corporation was later liquidated. But by that time, however, the word "emergency" had become a pet alibi in Washington, and the Production Credit association, unnecessary and unfair not only to the banking fraternity but, as has been proven in some cases, also to the borrower and subsidized by free government funds, started with about 500 agencies.

The overhead of the smaller bank endeavoring to stay in business in this section of the country is now almost entirely dependent on service charges, and shareholder dividends in the majority of cases have long since ceased, while a number of these smaller banks have already gone out of business to the detriment and inconvenience of their little communities and others are contemplating liquidation since the Production Credit association menace appears to be increasing through the activity of over 3,000 AAA offices in directing farmers to the PCA's with their grain producers' notes, which have always been popular at banks and at a ridiculously low rate of 112 per cent.

Wille it is admitted that to some extent this problem may be sectional, the fact that it affects one of the principal industries of the United States and indirectly many more minor industries by the elimination of small bank cooperation with many lines should suggest more consideration both in Washington and in A.B.A. circles than it has until very recently been given.

We are happy here in Hall County, Nebraska, to report that less than 6 per cent of the total livestock loans in this county have been lodged with the PCA. Our contacts and our knowledge of livestock and farming gained over a period of 60 years past have fully equipped us to compete and not necessarily on a rate basis. Although the smaller country bank likewise is possessed of that knowledge, that same competition with PCA's is impossible due to a lack of volume and inability to compete with any lending agency furnished with free capital by the Government at the expense of the taxpayer, the one and only reason for the avoidance of losses even more substantial than the majority of Production Credit agencies have already revealed.

ing millions of dollars to farmers and stockmen on all types of their collateral including beehives, chickens, and liveare now insured. So it would, there-

fore, appear that not only this PCA system—one of over 50 lending agencies competing with banks—but also the competitive postal savings system, competing for deposits, should be eliminated.

Vice-president and Trust Officer, National Bank and Trust Company, Charlottesville, Virginia—C. T. O'NEHLI,



THERE is a greater opportunity today than ever before for the banker to enlarge his field of service in agricultural credit. In addition to the growing demand for credit by the farmers on account of increased production the banker has at his command today the experience of other lending agencies and a vast amount of information available through research facilities and banking organizations. The American Bankers Association manual, "How Banks Can Assist in the Food-for-Freedom Program," presents a plan of procedure which has been received most enthusiastically by bankers, agricultural leaders and farmers alike.

The experience of bankers who have been most successful in the field of agricultural credit definitely prove that the commercial banker can meet any competition in this field if he is prepared to render the same type of service offered by other lending agencies. To do this successfully he must have an officer who thoroughly understands agriculture and who knows the seasonal and long-term needs of the farmer.

As our Government becomes more and more involved in the war effort and the financial needs of agriculture grow larger and larger we will be rendering a real service to our country by assuming the responsibility of financing the production of food and fiber for ourselves and our allies.

This is not only a responsibility, but the greatest opportunity that banking has ever had to take the lead in this field of financing as it has in the sale of bonds and the production of planes and tanks and guns.

However hard the job and crowded

the hours of the day, banking must assume this challenge and render to agriculture and to this fight for freedom its full cooperation.

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President, First National Bank, Raymondville, Texas-J. A. FAMBROUGH



The question has been presented concerning the object of the Federal Government in competing with banks for loans.

It has been observed that government loan agencies are not restricted as are banks, nor taxed as are banks; also that some of them are costing the taxpayers plenty of money.

Banks appear able and willing to take care of reasonable demand for

loans on fair, sound terms, but unable on small volume and supervisory restrictions to meet government competition. Bankers have been admonished for years to make sound loans and they are puzzled at the existing loan policies of some of the agencies competing with them.

It seems to be a paradox that bankers cooperate so well with their biggest competitor, the government loan agencies.

Could it be that the bankers adopt an attitude of defeatism in this connection? One banker expresses his complaints to a contemporary who agrees, but with a shrug, replies "Yeah, but what can we do about it?" Too often, that's the end of it.

When enough bankers realize the seriousness of this competition and determine to make themselves heard in the proper places banking will benefit substantially. Then banks can continue to contribute to the war effort and to community building along the wholesome lines of free enterprise. Until then they may continue to bewail loss of profits and the trend toward socialism.

Vice-president and Cashier, The Bank of Centerville, South Dakota.

-JOHN N. THOMPSON

A SOUTH DAKOTA banker has forwarded to me a letter stating that the Production Credit office at Lemmon is obtaining a list of all chattel mortgages of \$400 and up from the Register of Deeds' office. You may be sure that it will use the list for the solicitation of loans, for that is now a usual procedure with the PCA's.

If the Production Credit associations are to stay in business they will no doubt continue this practice, but since it is available to every one, why don't you turn the tables on them and use their own tactics? You could have the register of deeds give you a list of all the Production Credit associations' loans in your vicinity and after going over this list you could write to those who you would like to have borrow from you soliciting their business in the same manner. You could explain in your letter that your service would be more satisfactory, that the interest rate is not the only cost or factor on a loan, that you are not selling them any stock or charging them excessive inspection fees, that your method of operation is more flexible and not wrapped up in red tape and

### We're looking for new ideas

In charting the course ahead, bankers will find it expedient and practical to consult with one another more frequently than in the past. In this spirit of mutual helpfulness the officers of California Bank will welcome suggestions and the opportunity to exchange ideas with other bankers as to policies, operations, systems and other problems vital to present day banking.

### California Bank

LOS ANGELES (RESOURCES OVER \$170,000,000)



### **GOOD NEIGHBORS**

Efficient banking service aids in the development of trade and goodwill. You are cordially invited to use the services of this Bank in the following countries:

#### CANADA

Branches from Coast to Coast

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## The BANK of Nova Scotia

ESTABLISHED 1832—OVER A CENTURY OF SERVICE

## ONE DAY COLLECTION SERVICE

On More Than 100 Points in New York State

> Write for Transit Schedules



### The Syracuse Trust Company

Syracuse, New York

MEMBER OF THE FEDERAL RESERVE SYSTEM
MEMBER FEDERAL DEPOSIT INSURANCE CORP.

such other arguments as you might wish to emphasize. I believe that these letters should give you some results, but should be followed up by personal solicitation of the most desirable loans and after they are secured keep right on after the next ones. If you have not already reduced your interest rate on the class of loans that the Production Credit Associations are making you will probably have to do that in order to compete with them.

In this respect, I am of the opinion that all of the banks are going to have to reduce rates generally due to the present conditions. I would rather have a good farmers note at 4 or 5 per cent than I would government bonds at from one-half per cent to 2 per cent, which will be all that will be left for us if we let the loan business get away from us.

Cashier, The Hunterdon County National Bank, Flemington, New Jersey

-WILLIAM J. KINNAMON



The unrestricted agricultural production throughout the nation leaves one of the few remaining sources of earning assets for country banks.

Already the efforts of banks in obtaining this type of loan have been noted by Production Credit associations. These associations are using every effort to obtain and service production loans, the effort being one of self-preservation.

Actually the only real advantage that Production Credit associations have is a slightly lower rate of interest. However, when the interest paid on the actual amount of money advanced, plus various fees and the loss of the use of the money invested in stock are computed, it is only fractionally lower than the 6 per cent which the bank charges. The many services which banks render offset this light differential in rate.

If bankers will aggressively seek this business and take the time to work over each farmer's problem and to sell him on a sound program both for himself and for the bank, the banker can definitely reduce to a minimum PCA competition.

It would seem, then, that the bankers' problem is really one of merchandising. It would follow that if you create an unexcelled banking and credit service in your community and charge cost plus a fair profit, you will succeed.

President, The Commercial National Bank & Trust Company, Emporia, Kansas—F. H. ARNOLD

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As a result of a three-year study of government agricultural lending agencies, the Competing Credit Agencies Committee of the Kansas Bankers Association came to the conclusion that the Production Credit association is the only lending agency about which Kansas banks need really be concerned. The other government lending agencies have taken their part of the loans, but they are not so aggressive as the PCA.

During the years 1936 to 1939 the PCA in Kansas held a fairly steady volume in dollars loaned, but in 1940 and 1941 this volume increased 6.4 per cent and 8.4 per cent respectively. This we believe is caused chiefly by the increase in price of cattle. Although 1941 shows an increase of 8.4 per cent in dollars loaned, it shows a decrease of 2 per cent in the number of loans made.

We believe that PCA competition can be met successfully by making a rate of 5½ per cent on medium sized loans; on small loans the rate can be more. Banks must recognize the necessity of personal surveys, more advertising, and personal solicitation, keeping in touch with all borrowers, and also contacting lost borrowers, as many who have become customers of the PCA have subsequently found too much red tape to be involved.

Another good talking point nowadays in solicitation is the tax burden the banks carry—PCA carries none at all. It was concluded that it is better to boost banking than show PCA shortcomings.

Cashier, The First National Bank, Strasburg, Colorado

JERRIE M. RICE



The competition of the Federal lending agencies seems to vary in different

parts of the country. In the agricultural' communities the Production Credit association is the agency competing most directly with banks. The degree of competition depends on how aggressively the PCA management is seeking loans and how far distant the borrower is located from the PCA office. The principal argument that the PCA has in soliciting loans is the lower interest rate. I am informed that the PCA is not taxed which materially reduces their operating expense over the operating expense of a bank.

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This competition is very real and must be met. I believe that banks can give better service and I believe that the average borrower would rather borrow from a local bank than the PCA. That, of course, depends much on the banker and whether he is willing to meet the lower interest rate or supply sufficiently better and more efficient service so that the borrower is willing to pay a little higher rate to do business at home with his bank. More aggressive solicitation for loans with personal contact with prospective borrowers will give satisfactory results. It is easier to meet PCA competition in communities located some distance from the PCA office than in those communities located adjacent to the office location. A borrower would rather go into a bank where he is known and close a loan in a few minutes than to make a long trip to the PCA office for the same purpose. There are many arguments that bankers can advance but personal contacts appear to give the best results.

President, The Purcellville National Bank, Purcellville, Virginia

-C. L. ROBEY



In this period when higher operating costs of all kinds and lower income from invested assets are causing bank earnings to substantially decline, country banks find that competition from government lending agencies is becoming more acute.

Private banking, operating under

# Harris Trust and Savings Bank

Organized as N. W. Harris & Co. 1882 - Incorporated 1907

HARRIS TRUST BUILDING, CHICAGO

# Statement of Condition

June 30, 1942

### Resources

Cash on Hand, in Federal Reserve Bank and Due from Banks and Bankers	. \$116,079,269.56
U. S. Treasury Bills, at par	. 21,640,000.00
U. S. Government Securities, not exceeding market:	12 / 12 / 51 04
Due prior to January 1, 1948	. 42,617,651.04
Due on or after January 1, 1948	. 21,213,856,84
State and Municipal Securities, not exceeding market:	
Due prior to January 1, 1948	. 34,382,892.86
Due on or after January 1, 1948	5,665,259,70
Other Bonds and Investments, not exceeding market	, , , ,
Due prior to January 1, 1948	. 24,371,728,45
Due on or after January 1, 1948	. 17,285,831.20
Loans and Discounts	83,952,092.69
Federal Reserve Bank Stock	450,000.00
Customers' Liability on Acceptances and Letters of Credit	
Interest Earned but not Collected	
Other Resources	. 288,416.66
Total	\$260,050,190,50
Total	. 570%,070,480.30

### Liabilities

Liubillies	
Capital       \$ 6,000,000.00         Surplus       9,000,000.00         Undivided Profits       3,981,873.5	)
Reserves for Taxes, Interest, Contingencies, Etc	6,744,997.65 172,662.22
Total	6240 050 190 50

\$21,780,000 00 of United States Government obligations and \$525,151.50 of other securities are pledged to secure \$8,425,505.25 of United States Government deposits and \$12,693,024.22 of trust deposits, and to qualify for fiduciary powers

Member Federal Deposit Insurance Corporation

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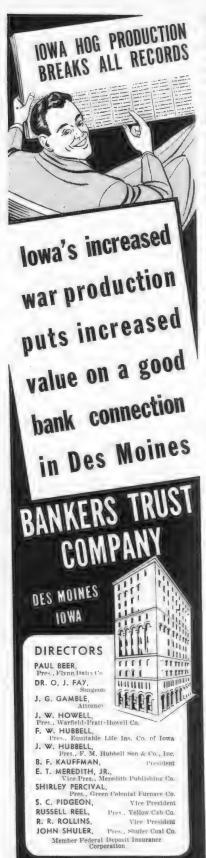
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Buy War Bonds



present labor restrictions and tax rates, cannot compete with a government agency paying no taxes and having access to the public treasury to cover losses and operating deficits. To compete on the basis of rates would, I believe, only draw forth lower rates, to be further reduced as it became necessary to keep below bank rates. (As a matter of fact, the PCA rates—with the additional charges added on—are in most instances higher than the bank rates. Many farmers are finding this to be true, after they have been "high-pressured" into obtaining a PCA loan.)

The government lending agencies, for the most part, have outgrown their original purpose. If these agencies would operate within the bounds representing the original intent of Congress the situation would be much relieved, but no one presumes to prophesy any such future for them or to hope that they will long be content within the confines even of their present greatly enlarged field.

Some banks have tried to meet the competition by employing field men to solicit and service agricultural loans. In most cases, the returns have not justified the increased overhead.

Another approach lies along the lines of reducing rates to borrowers and compensating for the lowered income by reducing interest to savers—the backbone of the banking business—and by skimping on service, a wretched prospect indeed to the banker with pride in his work and a mission to perform.

I can see no forthright solution except elimination of such agencies by congressional enactment. This may seem a hard road but this country is collecting a variety of problems which can be solved no other way.

Executive Vice-president, Farmers and Merchants State Bank, Wisconsin Dells, Wisconsin—E. C. AMANN



How can banks meet the competition of the Government in the lending field? This is a rather large question to be

answered in a limited article, but as we see it—in the first place, banks should not be forced to go into competition with government lending agencies, i/ the banks are willing to properly serve the farmers in their territory. The reasons why are obvious.

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We find that the average farmer would rather do his borrowing from his home bank if the banker is farm-minded and willing to loan the farmer on as good terms and conditions as the government agencies do, but in my opinion too many bankers want to make 90-day loans to farmers when they need 12 or 24 months to liquidate a debt, and some bankers do not want to make chattel mortgage loans on personal property. Some bankers do not want to give the time to discuss with the farmer his setup, nor do they have the facilities to check up and know the value of the security.

We make chattel mortgage loans on a 50 per cent basis of normal values on the farmer's personal property. We want him to give us an assignment of a part of his milk check, or some other agreeable method of payment. If his security will comply with our requirements, we will make him a loan on a four-year basis, but we make the note for one year, with the agreement that we will renew each year for four years, but require a reduction of one-fourth on the loan each year. Otherwise, we will not renew the loan unless good reasons can be shown.

During the past four years we have increased the number of these loans more than 100 per cent and the amount in dollars more than 400 per cent. We have two aggressive production credit associations in our territory within 20 miles of our bank and we are able to get our share of these loans by plenty of publicity in newspapers, direct mail, radio, and now have an outside field man who calls on the farmers, inspects the security, and solicits the business. Our losses have averaged less than \$100 per year on these loans. Our total loans in the past four years increased from \$200,000 in 1938 to more than \$400,000 in 1942, and deposits during this period increased from \$300,000 to more than \$600,000. So we feel we are on the right track and want to keep on getting our share of farmers' loans, because we believe when properly made and serviced, they are a good liquid asset, and we are helping our community from which we receive our deposits. This farm business should be with the banks and not have government competition for local farm

# Careers in Banking Today

The President of the American Institute of Banking-DAVID E. SIMMS



ESPITE the many headaches of these critical times the American Institute of Banking is already proving its ability to stand up under trying circumstances and to do its part in an educational way at the home front in the tremendous undertaking of winning this war.

Every bank in the nation is in a key position to put forth a gigantic effort to assist commerce and industry to function effectively in a wartime economy. Moreover, I sincerely believe they are doing just that in a quiet but most effective way. The manpower of our banks has been trained for years to assume tasks in a wartime atmosphere, and the Institute is humbly proud of the fact that thousands of its graduates are today making their influence felt in their respective institutions by devoting their skill and energy to the best possible service of the public and the Government during these abnormal times.

EVERYWHERE personnel problems are increasing in their intensity. Many personnel managers come to the bank in the morning not knowing what may happen next. It used to be the custom for an employee who intended to leave a bank's employ to give a reasonable notice in order that an adjustment could be made. Now it frequently happens that no notice at all is given, except the mute evidence of an empty desk or machine indicating that a vacancy is created and must be filled on the spot to assure the maintenance of efficient operating conditions.

The only avenue open is to hire new

workers and then to train them as quickly as possible. While the Institute every new employee, and we are bringdoes not attempt to equip the newcomer in a few weeks with a wealth of experience in banking operations, it does offer to the new and inexperienced people an opportunity to learn the fundamentals of their newly acquired business, and, therefore, be in a better position to understand the daily operations.

DEEP inroads on the banks' staffs have been made to supply men for the military service. In some areas numbers of our bank people have given up banking careers and have transferred to war industry. Perhaps it may be thought by many of these people that banks are not primarily essential to the war effort because other industries are closer to the manufacture of war supplies such as planes, tanks, guns, anti-aircraft material, and ships, all of which are vitally necessary in order to achieve victory. But all of these operations have a financial aspect. Credit must be extended for the purchase of material, and payrolls must be met. Without the aid of banks it is difficult to see how many transactions affecting the war effort could be carried on.

A quick glance at the transit department of any moderately large bank would convince the average Mr. Iones on Main Street of the contribution the banks are making in the war effort by the swift handling of checks, many of which cover transactions directly in volved in the war effort. The point is that people still in the banks have a sense of pride and satisfaction in knowing that each day they are making a real and genuine contribution to the war program by doing their part to keep the wheels of industry turning.

Special emphasis will be placed upon meeting the demands of the vast number of women coming into the banks. It is not surprising to hear that in many places half of a bank's personnel consists of women, many of whom are doing a fine job. Through our women's activity every effort will be made to offer a sound banking education to these bank women and to encourage participation in the war effort through first aid classes, other Red Cross activity, and reception work at the USO. All of these activities have a vital effect on the morale of the boys in the service and provide the women with the pleasure and satisfaction of doing their bit.

Institute courses are provided for ing more women into chapter administration to give them this valuable experience.

Our seminar program will be extended to interest the graduates of the Institute and other senior men and women. This program will include a topic on the issuance of War Savings Bonds in order that the bank people may become more familiar with the handling of the securities, an operation which already has reached enormous proportions. Here is an opportunity for many bank people to interpret to the public, their friends and neighbors, the requirements for the issuance of bonds.

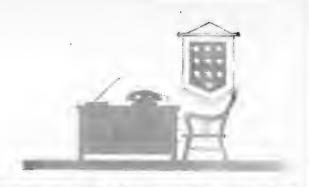
Through our public relations activity much emphasis will be placed upon appealing to the public to buy more War Bonds, in cooperation with state and local associations. This group is thoroughly organized to lend every assistance through the medium of the radio, schools, and clubs to get the public more conscious of the purpose of the bonds and their attractiveness as an investment. Many bank people who have had training in public speaking and debate actively have enlisted in this effort.

Behind these activities our publicity group will lend color and wartime flavor to the Institute in the press and in local magazines and will encourage the local chapter publications to devote space to wartime topics and particularly stress the purchase of War Bonds. In fact, all of our activity is directly or indirectly spiced with a flavor of patriotism, which is entirely in keeping with the magnificent effort the banks are making to aid the Government to win the struggle. It is a total war and everyone must do his or her part!

In the firm belief that the banks have a definite and substantial role to play in this emergency, we in the Institute are devoting all of our energy to equip the new people in the banks for occupying positions of responsibility. A new short course has been prepared especially for the young men and women who are entering banks fresh from high school. This course is designed to familiarize these young people with banking, their bank, and their work in the

# **MANPOWER**

# The Bank Personnel Situation Throughout The Country



The members of this panel on "Maintaining Manbower in Banks Under War Conditions" are men who are actually facing and solving the difficult problems involved in the present situation. Being restricted to a statement of not over 300 words, each man has been unable to express himself adequately on any of the points discussed. However, brief as these statements are, it is hoped that they will help the reader who is trying to clarify his own thinking on such points as military deferment for bank staff members, availability of various types of replacements for employees now leaving the banks, training methods that are most effective in maintaining staff efficiency, and drastic changes or reductions in bank operations that may be necessary in order to continue essential banking functions.

Personnel Director, Chemical Bank and Trust Company, New York City

-J. STANLEY BROWN



"Improvisation" is the watchword of the hour, and nowhere is that statement more true than in meeting today's personnel problems. Today's personnel function must be handled much as a captain handles a ship in storm; one turn to meet this condition, another for that. Excess baggage, equipment—yes, and services—must go overboard; but even then we must improvise, take advantage of every expedient in recruiting and directing a shorthanded, relatively inexperienced crew.

We must promote particularly able

women workers faster—and farther—than might have been their lots in normal sailing weather. We must not ignore the fact that a 16-year-old boy has before him at least two more years of pre-military life, a 50-year-old man at least 10 years of active usefulness. In this age of female airplane pilots, sharp-shooters and skilled mechanics, of 22-year-old wing commanders, and 70-plus Secretaries of State and War, we businessmen have much age-old cant ("can't?") to shove overboard.

But particularly we must bear in mind the fact that in emergency any human body uncovers surprising reserves of previously unsuspected energy and intelligence. Fear unlocks those latent reserves. So does anger. So does enthusiasm for a great cause. So now is the time for a second look at that old-timer on the payroll—good old Gus, who's been so long taken for granted that we have perhaps failed to note the new glint in his eye.

Enthusiasm follows understanding, and understanding is a product of leadership. Given leadership, then, our depleted, inexperienced personnel will bring enthusiasm to this greatest crusade of all time. They will unloose those hidden reserves of energy and intelligence which will go far to meet our personnel emergency. In short, they will follow you—Mr. President, Mr. Vice-president, Mr. Personnel Officer.

Vice-President, Bank of America, N. T. & S. A., San Francisco

-FRANK F. RISSO

No one is in a position to speak at this time with any assurance on the nature or extent of future personnel problems in banking. There are too many unknown factors, such as the duration of the war, future application of Selective Service policies, extent to which some forms of bank credit may be restricted either by government regulation or by diminishing demand due to continued lessening of production, distribution

and sale of many forms of merchandise, and the relative ranking of banking as an essential business when and if it becomes necessary to draft manpower for other than the armed forces.



Risso

More than 1,400 men from our bank are now in the armed forces. Our remaining staff members and officers are being asked to do more than the usual amount of work each day and to work a few more hours each week. They are responding admirably. Many junior officers are running windows and performing clerical duties. Tellers are again posting books before and after banking hours.

New employees are being taken on for replacement purposes as they are available, many on a temporary "for the duration" basis, and we find that many married women who were once employees of ours or who have had business experience elsewhere are interested in obtaining such temporary employment. Some of the new employees are given preliminary training in our own training schools, but most of them are being trained on the job. The purely temporary basis of employment is very desirable from the standpoint of avoiding dislocation when our employees now in the armed services return to us.

Cashier, First National Bank, Quantico, Virginia—H. EWING WALL

SMALL bank management is in imminent danger of being wiped out by draft

for military duty or war work. While bank employees as a class should not be deferred, I think that key officers and employees should be until they are replaced.

in small banks, women can be used to advantage as replacements for male



employees who leave for military service or positions in war industry. Sources are: trained women who have left the bank for marriage or to work elsewhere; bookkeeping and office force of commercial houses and stores; high school graduates; wives of service men; and young girls who have never worked before. Floater bank employees who drift from bank to bank are not satisfactory.

N TRAINING, each new employee should be assigned to an old one for instruction and supervision. Duties of the job. written in detail with the bank's history, traditions, background, fundamental rules, policy and methods of handling certain types of work, should be typed and filed in a loose-leaf book. The book should remain with the job for use of another employee taking over that job. Articles in BANKING for junior employees and other American Bankers Association educational material and study courses are helpful in educating employees in banking, and frequent staff conferences where new employees are encouraged to enter discussions are also helpful.

Management and employees should study handling of transactions, systems, and methods in order to eliminate duplications. If shortage of manpower becomes acute, it may be necessary to shorten still further hours open to the public, restrict the use of accounts and services, and perhaps discontinue some services entirely.

Vice-president and Comptroller, The First National Bank of Boston WILBUR F. LAWSON

A census of Selective Service classifications and family dependencies of all

male employees in the bank is necessary

to a well-ordered personnel program. With this, plans can intelligently be made for training substitutes in the vulnerable places. Morale will be improved if present employees are upgraded wherever possible and beginners are started at the bottom.

Regardless of expense and temporary overstaff, a sizable percentage of probable needs should be hired immediately from recent graduates of high and secretarial schools. Former women employees, now married, may also be available.

In upgrading, best results will generally be obtained by training people "on the job." Beginners, whether experienced or not in the operation of business machines, can usually be brought along faster if given concentrated attention under seasoned instructors in a training school, or its equivalent, in the bank. Generally three or four weeks of training suffices to teach correct fingering, neatness, satisfactory accuracy, reasonable speed and procedure.



Although employment and training will avert an acute crisis, it is only one stage in an integrated program. The loss of many people can be offset by further refining operating procedures and by using for peak loads employees from departments where work is light.

There are few, if any, jobs where a substitute, wisely chosen and trained now, cannot be groomed within a reasonable time. Requests for deferment for "necessary" employees, therefore, are not likely to meet the acid test and if sought at all, should be asked for only in very exceptional cases.

Cashier, The Peoples Savings Bank, troit-ALFRED T. WILSON Cedar Rapids, Iowa ERVIN F. STEPANEK

Although banks are contributing greatly to the war effort, through their aid to financing war industry and in their sale of War Savings Bonds, they have been regarded as "non-essential" and their employees, therefore, not en-

that some draft boards have been very cooperative, but time for training has become limited, and increased volume of debits and credits has accentuated the situation.

It seems essential in the light of the



Stepanek

present situation that banks inaugurate an extensive hiring and training program, rather than endeavor to operate with a skeleton staff. Any unforeseen reduction in such a force conceivably could work havoc in an organization, and one method of salvation is the training of a few people-preferably girls—to assume essential positions when vacancies occur. In our bank and I suppose the same situation exists in other banks—there is a dearth of apprentices, comparatively new and untrained clerks, available for future use as tellers or in other key positions. This problem might well find its solution in a simplification of procedure which would permit better use of untrained em-

Continuously, careful consideration should be given to the matter of emplovee morale and to what extent any action might tend to discourage employees at a time when there might be a shortage of personnel. I am told that at the end of the last war only about 60 per cent of the boys who entered the service were interested in returning to banking; that many of the girls who were hired as replacements got married when the boys returned; and that the shortage of personnel continued for a considerable period after the war.

Vice-president, National Bank of De-

For some months in our bank, we have endeavored to forecast our turnover exposure, at least six months in advance. We take into consideration possible losses, through draft, enlistment, exits to other positions, marriages, and so forth. In this way we can gauge our replacement requirements fairly accutitled to military deferment. It is true rately for months ahead. Then we draw



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on the raw material-new people-and | NOW IN PREPARATION" when the harvest is on, take on as many as we can. By this I mean that at high school graduation time we load up on new employees-mostly girls.

Not very long ago the ratio of men to women on our staff was two to one. Now it is getting to be just the reverse -two women to one man. Frankly, I think this inverse ratio is going to be quite permanent. True, the employment of married women during this period is a great help, and many of them will be leaving after the war. Nevertheless, with this better than two to one inverse ratio, practically all of the routine clerical positions will be held by girls. We are promoting many girls to teller positions and also hiring many inexperienced girls with the proper basic qualifications from the outside and training them as tellers. This inroad of the gentler sex into the teller category is also going to be fairly permanent. In many cases their production is outstanding. For instance, Tune 15 was a great day for income tax payments. We have two women domestic exchange tellers who on that day issued over 900 cashier's checks between them. Not long ago we had two men and a girl assistant on this job. Without any reflection, the former crew could not turn out anywhere near this activity.

Someone may say that with the preponderance of women in banks there will be no opportunity; that when the



thousands of bank men return from the service there will be a struggle to find places for them. Let me say this: As these men return, some will reenter the bank and some will not. With bank management doing a broad, big job during this war period, there will be more than enough excellent places for these returning men.

Personnel Officer, The Pennsylvania Company, Philadelphia

-EDWARD N. HAY

THE difficulty of obtaining suitable clerical workers has led one bank to ex-

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plore the possibility of using handicapped persons. There is little that a blind person can do in bank work, but there are many places where those with other handicaps can be used. This includes the deaf and those who have suffered the loss of one or both legs. While this is not an important source of workers, it is one worth considering.



Some of the larger banks have established training departments to which all new employees are assigned for periods of weeks or months of preliminary training. Most banks cannot afford the luxury of training departments but must find some way of breaking in the new employees on the job. In several banks following the latter method, care is being taken to assign new employees first to departments headed by supervisors who have in the past shown the ability to develop good workers.

Banks, like other businesses, now frequently face the problem of replacing valuable employees of considerable

becomes one of picking the most promising person from among several who know little or nothing about the job. Often the most successful candidate is the one who can learn the new duties most quickly and shows the best judgment in making new decisions. Some banks have solved this problem of selecting employees by "up-grading" with the use of intelligence tests, on the theory that of several employees who seem able and equally qualified, that one who has the highest intelligence is likely not only to develop most quickly, but to show the best grasp of the new

Vice-President, Equitable Trust Company, Wilmington, Delaware

RICHARD L. COOCH

Aside from keymen, whose years of training and experience cannot be duplicated, we should expect no occupational deferment of bank men from



military service. Banks employ young length of service. The problem often men who are healthy, honest, intelli-

gent, and loval. Training and experience serve to increase their knowledge and develop their initiative. Our armed services need such men. It is the bank's privilege to supply them, and at the same time to carry on essential banking operations efficiently and safely.

The first step we should take toward maintaining our manpower is to check the status of each man of military age and plan how to fill his place, if he is called. This involves employing and training replacements before they are

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needed—an expense that can be justified even when we are economizing elsewhere. It is only fair to tell these people that their jobs may be temporary, since they are replacing men in service. Most desirable as replacements are people with more than one aptitude, who work well with others, under pressure. Temperamental types are to be avoided. By asking our own employees for suggestions, we may find some good personnel material, such as the sister or sweetheart of a boy in service. In our own case young women are doing excellent work as messengers, tellers, and administrative assistants.

Training of new employees by practice and instruction on the job is made more effective by clearly written memos of procedure. Older employees should also be encouraged to learn a variety of jobs. American Institute of Banking courses help. Recognition and increased pay provide incentive.

Since our aim is to conserve manpower, we should have the courage to streamline our services, telling our customers frankly our reasons for doing so. Specifically, this might mean sending statements less often or even discontinuing neighborhood branch offices, so that our trained personnel can be used

more effectively, by being concentrated, rather than dispersed.

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Finally, we can all work harder. We should think often of our men in service, reminding ourselves, as well as our employees, of the spirit with which these men are doing their job.

Cashier, United States National Bank, Portland, Oregon—H. L. STILES

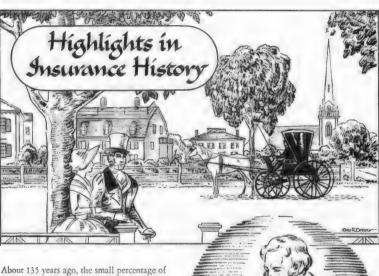
The problem of obtaining suitable replacements for men called to the service from our organization is perhaps no greater than that of banks in other communities. Losses to date consist principally of young men who were serving as adding machine operators, bookkeepers, and junior clerks. Women, both single and married, have been employed as substitutes, with preference given to those having former banking experience.



Stiles

At branches where staffs are small, the practice of training new employees "on the job" is being continued. At the head office, however, where a large force is needed, it has been found that preliminary training is essential to fill vacancies for competent machine operators. This is accomplished by employing inexperienced young women at beginners' salaries, on a tentative basis only, pending successful completion of an intensive two-weeks' course in machine operation conducted by a local school established for the purpose. Cost of tuition is borne by the student, with the understanding that a refund will be made by the bank at the time of acceptance as a permanent employee. The program seemingly possesses merit, for not only does it provide an incentive to the student, but it also assures the employer of greater usefulness in the prospective employee. Students failing to complete the course suffer no financial loss, as salary received more than offsets tuition costs.

Women advanced to tellers' positions at branches have been graciously received by the public. They will be



About 135 years ago, the small percentage of policyholders among America's 7 millions, transacted their business direct with the companies. Only a person of well-known standing in his community could obtain insurance, and communications between company and policyholder were slow, time-wasting and generally unsatisfactory. The birth, growth and development of the American Agency System has changed insurance practices as much as life itself has changed in America since that time.

The duties and responsibilities of today's insurance agent are many and varied. Through his unparalleled services, policyholders receive personal contact with a fellow citizen, not only equipped by knowledge-and experience to offer advice and guidance—but able to be on hand when a loss occurs. Likewise, through his services, capital stock fire insurance companies are able to spread the benefits they are equipped to give the public to every city and hamlet throughout the land.

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utilized in a like capacity at larger offices as positions of tellers and senior clerks are vacated. Unsatisfactory customer reaction is not anticipated.

No drastic change in systems or routines is contemplated at the moment, although such action may be necessary at a later date.

It is not the intention of our organization to request deferment for any employee called for military duty.

Assistant Vice-president, The Detroit Bank-WILLIAM K. MUIR

Accountants, auditors, stenographers, and typists study many months in business schools to gain the necessary skill and ability to perform efficiently in the business world; but bank tellers and machine operators, such as bookkeepers and distribution clerks, are not nor can they be taught along the same general lines. Years of actual experience have usually been thought necessary before one could be classified as a teller. Similarly, bookkeepers and distribution clerks have been taught their skills while at work over a long period of time.



War has brought about many changes. The draft, voluntary enlistments, and the requirements of direct defense work have multiplied the rate of personnel turnover. Young, inexperienced girls and some boys must now be quickly but thoroughly taught the techniques that formerly were acquired during a period of years by those whose places must be filled.

To accomplish this short-time training, schools must be established by the banks, staffed with experienced personnel. Four to six weeks of hard work and study are sufficient to familiarize an individual with the duties and responsibilities of a teller. With an additional month of training on the job, full duties can be assumed. A similar schedule of shorter duration can be worked out for the two other classifications.

The Detroit Bank completed the training of 42 tellers, 29 bookkeepers, and 34 distribution clerks in the first six months of 1942. In practically all

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cases, the bookkeeper and distribution clerk trainees were young, inexperienced high school graduates. They were above average in their scholastic work and exhibited more than average interest in mathematics. The teller trainees intensely active defense area are probwere older women (23-36 years) with some business or office experience. Of the 105 applicants employed for training, 80 were successful in meeting the high standards established and today are doing a satisfactory, efficient job.

Maintenance of properly trained bank personnel is going to depend largely upon the establishment of a practical, intensive training program.

Vice-president, The Seaboard Citizens National Bank, Norfolk, Virginia

-ROBERT C. de ROSSET

PERSONNEL conditions with us in this ably not typical, but during the past year we have had better than a 40 per cent turnover in employees, and from all of this we have learned:

(1) That the problem of maintaining manpower under war conditions has definitely resolved itself into replacing men with women.

(2) That radical changes in systems, methods, and machinery during the past 10 years have rendered untit for detailed operating work those former employees who have been out of contact with banking for any considerable period of time.

(3) That inability to obtain machinery and service in recent months. coupled with the constant turnover in personnel, has tended to "freeze" methods of operations while it has been necessary to extend services to meet demands incident to the various war activities.

(4) That young married women with recent bank experience whose husbands have gone into the service are proving a very satisfactory source of supply of employees. A number of these have moved to Norfolk from other cities direct from responsible bank positions in order to be near their husbands.

(5) That our key employees have not been attracted by higher salaries in war industries or to jobs as civilian employees of the Army or Navy, but our real personnel problem has been created more by this type of competition than by losses to the armed forces.



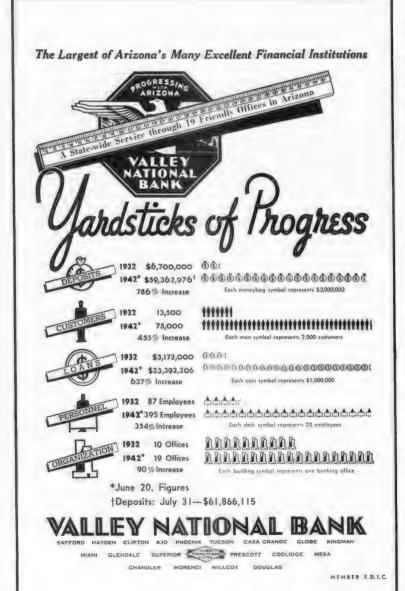
de Rosset

(6) That we have had to revise our ideas about the assimilation of new employees. Activity pressure leaves little time for anything but the job itself.

(7) That in areas active with defense work the necessity for smooth-working banking facilities is being recognized and appreciated by the military and naval authorities as well as by the general public. From a personnel standpoint, it is important that local draft boards have begun to recognize this also. It has not yet been necessary to seek draft deferment on behalf of any employees. We should hesitate to do so except in an extreme case.

President, Lincoln National Bank, Newark, New Jersey-CARL K. WITHERS

WHILE it may be true that no two banks are confronted with the same problems of management and personnel, some are common to all, and per-



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haps from the following suggestions, there may be found one here and there that may prove helpful:

New Employees: Don't attempt to attract employees from other institutions. Promote from within, and seek new help from graduating classes of high schools, etc.

Old Employees: Recall women employees since married where home duties may permit their working again—even part time. Those on pension may also be glad to help.

Hours: Stagger or lengthen the hours of employment for greater efficiency—even at the cost of overtime pay; curtail or spread vacation periods and insist on punctuality.

Operations: When possible, combine operations and even departments where mechanics are related. Keep precious bookkeeping and accounting machines, typewriters, and other equipment working full time and in good repair.

Economies: Curtail outgoing correspondence, telephone calls, and all unnecessary interoffice memoranda, reports, and statistics. Eliminate the duplication of records, except where required for permanence. Offer employees prizes—in War Stamps—for time, money, or labor-saving suggestions.

Customer Relations: Seek by posted notice or letter the forbearance of your customers during rush periods.

Withers

Edens



Second Vice-president, Continental Illinois National Bank and Trust Company, Chicago—WILLIAM M. EDENS

It seems to me that the keyword in any discussion of the wartime personnel problems of banks is *adjustment*. The old questions of employment, turnover, compensation, and training, of course, will continue, but new answers will have to be found. There will be new personnel and shifted personnel and probably not enough of either. More women will be employed by banks, and the tendency will probably be to give the same pay for the same work.

We must be sure that existing personnel policies are sound, fair, thoroughly understood, and intelligently applied. Then, against these policies, we must test our wartime adjustments.

It goes almost without saying that the men and women on whom we depend for supervision of personnel and operations should be the best we can find. Their responsibility will be greater with less experienced employees.

Nothing less than all-out help from everybody in our organization will work if banks are to perform acceptably. Even then, in adjusting our business to war conditions, we may be hard pressed to meet the standard that our customers have a right to expect, so we shall be grateful for the tolerance of the public while we carry on.

Above all, we shall not forget those who are in the armed services. And whatever our part as banks, we shall be engrossed in gearing our efforts to the one big job to be done.

# DOUGLAS FIR PLYWOOD

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# **Financing War Production**

(CONTINUED FROM PAGE 15)

to maturity and in any event not later than the 60th day after maturity.

4. In case the borrower's contracts are canceled at convenience of Government the bank is further protected by the so-called step-ladder clause of Section 5, which, if not less than 25 per cent of the borrower's war contracts are canceled, reduces the unguaranteed portion of the loan in the same proportion as the percentage of orders canceled bears to the total of unfilled orders. Thus, if a loan was initially 60 per cent guaranteed and half of the borrower's war orders were canceled the bank's guarantee would be raised to 80 per cent. If all the orders were canceled, as would probably happen on termination of the war, the guarantee would accordingly become 100 per cent.

5. The borrower is likewise protected in event of cancellations at convenience of the Government of 25 per cent or more of his contracts, by being allowed a waiver of interest and extension of

maturity on related loans until he has antee agreement will develop many settled with the Government on account of the cancellation. The percentage of his loan so extended is equal to the percentage of his war contracts canceled. Thus, if he was borrowing \$100,-000 and half of his orders were canceled, \$50,000 would promptly be extended. The bank may choose to hold an extended portion upon which the Government will pay interest or may tender it for repurchase under the guarantee. This important protection to the borrower is apart from the clauses on termination of contract which he may have in his contract if he is a prime contractor. It is apparent how very helpful it is to all prime and subcontractors to be able to postpone payment of borrowed funds until they have settled claims with the Government.

6. The bank services and polices the loan. The borrowers' contact is with the

A study of Bulletin 85 and the guar-

other important points. It should be clear, however, from the statements above, that Regulation V is good for the bank and good for the borrower, meanwhile performing its vital and patriotic function of speeding war production. It is a good guarantee and under it no contractor producing something which the services need will be left unfinanced. It should do much in helping many small concerns weather the transition from civilian to war production. Last December only 10,000 of our 184,000 industrial establishments were participating in defense production. Many, many thousands more have now changed over and the banker must be alert to bring a "V" loan to the aid of any contractor who has a war order.

Regulation V has vanquished the bugaboo of losses for contractor and banker through cancellation of war contracts. It is a step as far-reaching as the Assignment of Claims Act. Its outstanding benefits to the borrower might be summed up as:

- 1. He deals with his bank of account just as he has always done in peacetime.
- Protection against losses through cancellation of contract by extension of related portion of his loan with waiver of interest.

The bank should work out the terms with the borrower, decide what guarantee it needs and submit an application to the Federal Reserve bank of its district. The Reserve bank will promptly work out the details and final terms. The procedure is streamlined to the point where an answer can be obtained in a few hours if necessary. While in many cases assignment of the contract may be requested by the guarantor, this is a matter to be determined largely by the lending bank and the Federal Reserve bank after taking into account the credit aspects of the case.

THERE is created a great opportunity for banks to do a tremendous job for our country, our manufacturers and for themselves as well, and I am sure they will eagerly and aggressively pursue every chance of service. It seems to me that bankers can contribute also by plugging away at their customers on two additional points: First, a contractor must work just as hard and as cleverly to get a war order as he did to land a civilian order. War contracts do not come on a silver platter. Second, urge each successful contractor to examine his contract and familiarize himself with the termination clauses therein.

In conclusion, may I urge the hearty acceptance by every bank in America of a statement made recently by a committee of the Reserve City Bankers Association concerning Regulation V: "The banks have a very real opportunity to take a more substantial and constructive part in the financing of the war production program . . . consistent with sound banking principles."

# Unfinished Business

(CONTINUED FROM PAGE 6)

fight them. Nor does it lessen our responsibility for raising the money in a way that husbands the strength of the civilian economy instead of wasting it. For though wars may not be won by financial triumphs, they can be lost by financial blunders.

The successful financing of the war is, therefore, vital for victory. It is our job, and we must do it. It is our problem, and it is up to us to solve it.

As I told the Senate Finance Committee in July, I am convinced that the American people are ready for sacrifices greater than we imagine. I know also that American bankers as individuals and as a group are ready to put forth any effort that may be needed. Our war effort is calling upon the skill and the resources and the leadership of the American banker as never before. It demands of him a leadership and a sacrifice above and beyond his own

private interests. At the same time, its success is essential to his survival.

In another crisis that brought anxious moments and dark days to us a quarter of a century ago, Woodrow Wilson said, "America is not anything if it consists of each of us. It is something only if it consists of all of us; and it can consist of all of us only as our spirits are banded together in a common enterprise: the enterprise of liberty and justice and right." These were the words of a great American at another time when the fibre of our nation was being tested. They are a watchword for every American today.

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# CONFIDENCE

Our confidence in the stability of the nation and its obligations is best evidenced by our investment portfolio which contains only United States government securities. As of June 30, 1942, quick assets consisting of cash on hand and with Federal Reserve Bank; due from other banks; and government securities amounted to over 150% of our demand deposits and 92.4% of our total deposits.

# CONDENSED STATEMENT OF CONDITION JUNE 30, 1942

### ASSETS

Cash on Hand and with Federal Reserve Bank	\$45,619,472.31	
Due from Other Banks	6,579,856.42 99,639,038.49	\$151,838,367.22
Other Bonds and Securities		24.00
Miscellaneous City and County Warrants		523.82
Stock in Federal Reserve Bank		225,000.00
Loans and Discounts		20,414,516.88
Bank Premises, Furniture and Fixtures		275,009.27
Other Real Estate		10.00
Customers' Liability on Letters of Credit and Acceptances		130,377.87
Customers' Liability Under Loan Commitment		
Agreements		868,750.00
Interest Accrued and Uncollected on Loans		27,361.70
Interest Accrued and Uncollected on		
Investment Securities		367,891.24
Total		\$174,147,832.00

### LIABILITIES

Deposits:		
Demand		
Time	53,364,642.56	
Public Funds	10,760,295.74	\$164,226,146.69
Letters of Credit and Acceptances		148,320.86
Loan Commitment Agreements		868,750.00
Interest Collected but Unearned		24,969.88
Reserved for Dividends, Taxes and Insurance		300,963.92
Reserved for Interest		8,680.65
Capital Paid In	3,000,000.00	
Surplus	1 400 000 00	
Undivided Profits	1,070,000.00	8,570,000.00
Total	,	\$174,147,832.00

# THE FARMERS AND MERCHANTS NATIONAL BANK

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# **Smaller War Plants**

(CONTINUED FROM PAGE 13) problem of survival under wartime conditions.

Finally, after weeks of effort, this group was able to bring forth a program. The legislation recognized the two main problems: the question of mobilization of the small plants of the nation and the supplying of adequate financial facilities to meet any possible requirements. A corporation was created, as a unit of the War Production Board, to bring the answer.

The Smaller War Plants Corporation is authorized to obtain orders from the procurement agencies of the Government and distribute them among the unused manufacturing facilities. The SWPC may bid for contracts, and upon certification of the chairman of the War Production Board the procurement agencies must award these contracts to the SWPC. The SWPC may then distribute these orders where it believes they can be efficiently executed within the time and quality limits required by the serv-

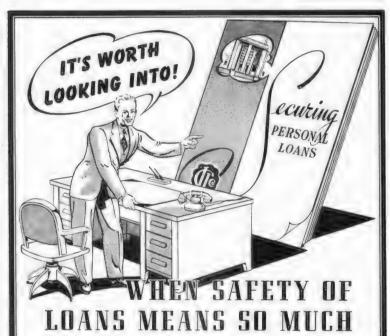
ices. In determining the location of facilities which may be used, the SWPC has available to it the very thorough census of facilities which was built up during 1941 by the Defense Contract Service and the Division of Contract Distribution.

Facility orders have been gathered and classified by engineers in OPM and WPB offices throughout the country, and master records now exist in field offices and in Washington which make it possible for the SWPC to direct the orders, which it is empowered to secure from the services, into those channels which are presently unused in the war effort.

This mobilization of industry follows closely methods adopted by the Germans during the past several years. In that country the smallest plants have been organized by engineers and traveling supervisors so that the entire productive capacity of the country is adapted to meet the unnatural demands of war and minimum civilian supply. In order to compete with and overcome this ruthless machinery of economic warfare, the SWPC is charged with the responsibility of performing a similar function in this country, but on a basis of voluntary cooperation and the democratic interchange of information and management.

THE SWPC is also granted a capital of \$150,000,000 to be used to finance the adaption and conversion of individual concerns, and groups and "pools" of concerns, so that they may place themselves in a position to participate in the common effort. Funds may be borrowed for the acquisition of equipment or the SWPC may lease equipment and facilities so that these concerns may be wellrounded and fully competent to perform the required duties. Provision is also made for the supplying of working capital. The Bureau of Finance will continue its advisory functions, so that advances made by the SWPC will consist not only of a single credit operation, but will supply financial advice and assistance during the life of the war contracts entered into by individual firms and groups of firms. In this way, bottlenecks of a financial nature may be eliminated and production speeded.

The Smaller War Plants Corporation Act became law on June 11, 1942. Not long thereafter five directors were appointed by Mr. Nelson. They are Lou E. Holland, chairman, Kansas City, Missouri; Albert M. Carter, Murphysboro, Illinois; Samuel A. Smith, Boston; William S. Shipley, York, Pennsylvania; James T. Howington, Louisville.



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# The Credit Lite Insurance Company

"Insurance on the Life of the Debtor in Javor of the Creditor

# Bankers in the War

(CONTINUED FROM PAGE 29)

be done in this direction. We read in the papers about the crowded condition in Washington, and we know that much of this is due to the bureaus that were created during the emergency of the depression as temporary expedients. Now that the emergency has passed and we are confronted by the crisis of war, it seems reasonable to ask that those past emergency creations be abolished and make way for the thousands in the armed forces who need their offices and homes.

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It seems unreasonable to continue to bear the burden of those now unnecessary alphabetical agencies intended to bridge over the depression now happily behind us.

But Government in Washington is not the only place where we are suffering. State, county and city governments also have gone beyond the bounds of prudence in their expenditures. The banker can influence the thinking in his county on the cost of government within his county, and if the people in his county, and the 3,006 other counties in the United States, become tax conscious and express themselves, not only will they improve local conditions, which in the aggregate would mean enormous savings, but that spirit of thrift in government will make itself felt in the state capitols and finally in the halls of Congress.

# Winning the Peace

Another wartime objective of the greatest importance is the winning of the peace.

We will have gained little if we win the war and find ourselves in an economic struggle more cruel than the war of guns. I am convinced that the only way to avoid a collapse after the war is by restoring world trade so that the people of all the warring countries can find employment in peaceful pursuits.

To accomplish that there must be a free flow of goods from one country to another unhampered by high tariff walls or other restrictive measures. This may be regarded by some as an idle dream, and I do not minimize the difficulties standing in the way of its achievement, but it can be reached, or at least approximated, if a strong enough effort is made.

Also, bankers can be of help by explaining the dangers of inflation and encouraging loyal support of the Government's program of price control,

rationing, etc. There will naturally be differences of opinion as to how the best results can be obtained, but it is certain that if control is to be exercised completely, it must include all the elements that enter into the price structure.

There still exists in some quarters skepticism as to the need for a drastic program at this time and many of our people naturally chafe at restraints imposed upon us all. And there are some who fear that once the nation is fully regimented those now in charge of government will attempt to make it permanent.

I for one have no fear that when this terrible conflict is ended and peace restored, we will again have an economic and political system that will give free expression to the genius of our people and lead us on to the great destiny that lies ahead of this nation.



# Feed Wheat!

We wouldn't have dared to step up our hog production by 25 percent, or by 20 million head, last year if we hadn't had our ever-normal granary. Neither would we have been able to make the gains in other livestock and poultry if we hadn't had large reserves of feed. Although we still have large reserves of corn we are using corn faster than we are producing it. But there is plenty of wheat and there will be big supplies of high-protein oil meals that mean more efficient feeding. The price of wheat for feeding will make it as profitable to feed wheat as corn. Farmers can use these big supplies of wheat and oil meals to keep up livestock production for the war program. When you're planning to ship in grain for feed, figure on wheat.





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THE FEDERAL INTERMEDIATE CREDIT BANKS

# The Washington Outlook

(CONTINUED FROM PAGE 32)

that it is more important to retain trained and experienced bank technicians in their present jobs than to drive them into new positions in war industry. The banking system must retain a reasonable proportion of trained and experienced management if the system is to function effectively in serving the war effort and essential civilian needs.

Chartered banking has not asked for any deferment of bank employees or bank officials from service in the armed forces and will not do so. But I am convinced that it would be an irreparable calamity to the war requirements if banking services should break down as a result of a governmental manpower program which will drive experienced banking technicians into other jobs.

It is the task of every individual banker to tell the public and to tell government through his elected representatives just what chartered banking is doing in the nation at war.

Another issue that confronts chartered banking as well as the entire national economy is the control of inflation. The ruin of the credit structure, as terrible as that may be, will be one of the least of the casualties of uncontrolled inflation. It matters little what we may think of Mr. Henderson although personally I admire the fortitude with which he is tackling an almost impossible task. The fact is that he is commissioned to do a job that common stocks of corporations. Under

must be done. His efforts should be supported wholeheartedly. His difficulty is that the control of inflation represents a repeal of natural economic laws. This is a tough assignment and an extremely difficult one under democratic processes. The job cannot be done half controlled and half uncontrolled and much less can it be done if inflation control covers less than one-fourth of the factors involved. The trouble is that too many people want inflation control or price control for the things they buy but no ceilings on the things they sell. Powerful political groups and selfish private groups are preventing an effective all-out anti-inflation war. There is no more important task of banking leadership today than to help wage this fight which is secondary in importance only to winning the war itself. People have talked a lot about losing democracy in this country but it's a sure bet that if the American dollar becomes bankrupt through inflation. our democratic system of government will fold up at the same time.

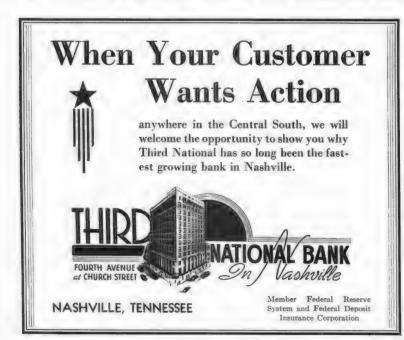
THE new taxation program of the Federal Government probably constitutes the most far-reaching threat to corporate organization under private ownership of any measure before Congress. Although many changes may be made in the tax bill before it becomes law, the present House bill will, in effect, prevent further investments in

this proposal, the Federal Government takes 45 per cent of so-called normal income and 90 per cent of so-called excess profits. "Excess" profits is a misnomer because such profits are defined to be amounts in excess of 8, 7, 6, or 5 per cent on the invested capital of corporations, depending on size. Many states also impose a corporate income tax. The result is that for a corporation of fair size, located in a state having a 5 per cent income tax, the net effect of this law will be to take practically all income above 6 per cent on invested capital and to take half of the "normal" income of 6 per cent. There would be left to the owners of the business, therefore, only about 3 per cent on invested capital. Out of this 3 per cent return must come all needed additions to working capital, debt payments and dividends to stockholders, if any.

This program will destroy a large part of outstanding equity value and will practically shut off future investments of risk money. For expanding enterprises, such as public utilities, the results will be disastrous, in many cases. Under this tax program many corporations will be unable to meet their obligations. Some loans which were sound and liquid when made by the banks will become practically frozen. New loans to corporations must be limited to self-liquidating working capital purposes. In the case of banks themselves, the net returns after taxes will, in many cases, make it impossible to increase surplus and reserves and at the same time pay any dividends to stockholders. As is well known, sound banking requires the accumulation of substantial bank earnings as reserves against inevitable losses. The maintenance of a sound capital structure of the banking system is of such vital concern to the public welfare that it is a matter of public concern and of special interest to the banking supervisory agencies, particularly the FDIC, that the tax program should not weaken the capital structure of banks.

Vast sums of money must be raised through taxation and every segment of the economy must share the load. But we must not destroy the capacity of that economy to function. Equity capital will starve under the proposed tax program and equity capital is the seed that produces business enterprise. Let us hope that government leadership will recognize this fact before the final tax bill is written.

The results of any one of these three issues will have an important bearing on chartered banking's future. It is a time for sober thinking, courageous action.



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Sharing the Convention platform are the following advertisers who are present at this 1942 A. B. A. Convention in BANKING.

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# A War Measure... And a Friendly Greeting!

In order not to tax America's transportation facilities, now vital to the movement of troops and material, the 1942 Convention of the ABA has been cancelled.

So this month we must forego the annual privilege of personally greeting our many banking friends. For similar reasons, as a part of our contribution to the War Effort, we expect to curtail the traveling activities of our representatives for the duration.

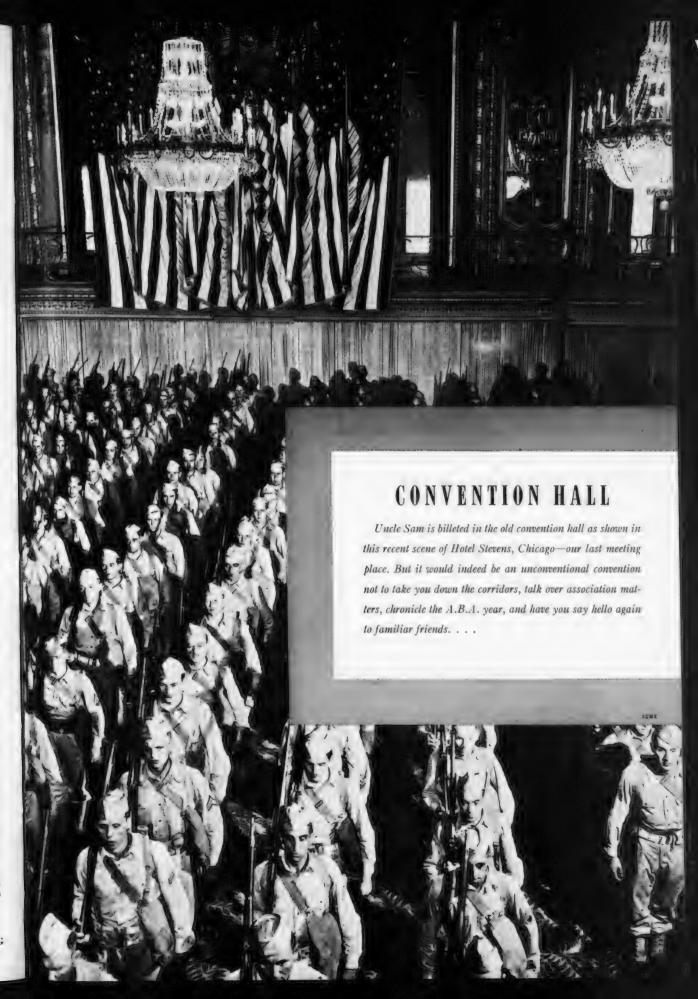
Therefore, in lieu of our usual personal visits with our correspondents and other friends, we send you most cordial greetings. We look forward to many a future pleasant meeting after Victory.



# **MERCANTILE-COMMERCE**

Bank and Trust Company
SAINT LOUIS

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



# BETWEEN CONVENTION SESSIONS



A general session scene at the 1911 American Bankers Association convention at the Stevens Hotel, Chicago

# Geared to War

T the American Bankers Association 1941 convention in Chicago, when Henry W. Koeneke, president, The Security Bank of Ponca City, Oklahoma, was elected president, defense financing and hemisphere solidarity were the central themes.

Early in the Association year, President Koeneke enunciated the broad outlines of his program in a booklet entitled, "I Am a Country Banker," in which he sought to mobilize completely the structure of organized banking for participation in financing the Government's program of 'all-out" defense.

Entry of the United States into the war brought fundamental changes to the banking outlook and consequently to the activity program of the American Bankers Association. From Pearl Harbor Sunday the Association's plan of action was completely geared to the business of winning the war. After listening to President Roosevelt's war message to Congress, President Koeneke sent him this telegram:

". . . On behalf of the American Bankers Association I pledge to you and to the people of the United States the complete support of the nation's banks."

An example of the support the banks are giving to financing war production is revealed by A.B.A. surveys covering the volume of this type of loan by more than 400 of the nation's largest banks. On June 30, 1942, 423 banks in 162 cities reported war loans and commitments outstanding totaling \$4,179 million, representing an increase of \$2,878 million over June 30, 1941-a precentage gain of 221.

# 

By contrast, the entrance to the 1942 convention-the front cover of this issue of BANKING

# At the Spring Meeting of the **Executive Council**



Executive Manager Stonier, President Koeneke, Vicepresident Hemingway, seated; Secretary Hill and Vice-president Wiggins, standing, when action was taken paving the way for the convention's cancellation

## Bank Credit Clinics



The speakers' dais at a New York clinic general session. Left to right, Messrs. Bailey, Hemingway, Stonier and Koeneke



Bankers from the Middle West attending a general session of the Bank Credit Clinic at the Stevens Hotel in Chicago

### Clinics Linked to Wartime Needs

Jo enable the banks to discuss their many wartime problems informally and to get first-hand suggestions from others in their field, President Koeneke initiated a program of banking clinics. These meetings, held in various parts of the country, were two- to three-day sessions devoted to study and discussion of the more important services banks render to the public.

Many clinics were held throughout the year, including four real estate mortgage clinics designed to explore housing, rent control and real estate mortgage business in banks under war conditions. These were held in Philadelphia, October 30-31; Seattle, February 19-20; San Francisco, February 26-27; and New York City, March 26-27. The meetings were jointly arranged by the Savings and Research Mortgage and Real Estate Finance divisions. A feature of the New York clinic was the sixth annual school savings forum.

Two bank credit clinics were scheduled, one in New York City, March 4-6, and the other in Chicago, April 15-17. The Consumer Credit and Agricultural Credit departments cooperated in planning and supervising these clinics.

Further moves to shorten and streamline A.B.A. meetings were made when the A.I.B. Executive Council, at its midwinter meeting, took action to convert its scheduled New Orleans convention into a national educational and business conference. Also the A.B.A. Executive Committee voted, at its Spring Meeting in French Lick, Indiana, to convert its 1942 convention in Detroit into a National Conference on Wartime Finance. Both bodies cut their scheduled meeting time by a day and a half and eliminated all entertainment features.

Subsequently, in accordance with the request of the Coordinator of Defense Transportation, the A.B.A.'s Detroit conference was canceled.

# Real Estate Mortgage Clinics

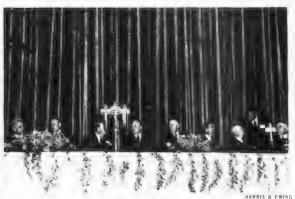


Savings President Frazier and Messrs. Ludemann, West, Fisher, Hogan and Sienkiewicz at the New York Real Estate Clinic



E. J. Callister, of Los Angeles, speaking from the floor at a session of the San Francisco Real Estate Mortgage Clinic

## Trust Conferences



Trust luncheon in New York Messrs, Beck, Newell, Donovan, White, Stonier, Hanes, Delano, Stockton and Campbell



Michigan bankers fourth study conference Messrs, DeLano, Totten, Stephenson, Brundage, Stubblefield and Reichert

### Customer Relations \* Personnel



Staff of the First Trust and Deposit Company, Syracuse, New York, listening to talk by Customer Relations Director Powers

# Surveys and Studies of Banking Trends

Association are original studies and surveys on trends in banking and economics. Included in those completed within the year were: Quarterly surveys of the volume of war production loans; a three-year study of methods of computing savings interest rates; shrinkage of consumer credit; national bank earnings; impact of war on banking; cost of living bonuses to bank employees; saving operations costs for mutual savings and commercial banks; charges for redemption of War Savings Bonds; annual income of trusts administered by trust institutions; wartime personnel situation; resources, investments and deposits of state banks; earnings and expenses of state banks; and earnings and expenses of all insured commercial banks.

Many of the surveys are made available to the membership through publication in booklet form; practically all of them are reviewed in Banking.

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Here are some of the more important A.B.A. publications of this type since the Chicago convention: "Special Bulletin No. 85" covering War Production Loans under Regulation V, "Treasury War Borrowing and the Banks," "How Banks Can Assist in the Food-for-Freedom Program," "Earnings and Expenses of all Insured Commercial Banks," "Condition and Operation of State Banks in 1941," "Your Bank and Its Services," "How Trust Institutions Exercise Discretionary Powers" (the fifth in a series of studies on trust research), "Preserving Your Bank's Leadership in the Savings Field," "An Introduction to Field Warehousing," and "Accounts Receivable Financing,"

Aside from the use made of the A.B.A. studies and surveys by bankers, bank directors, and A.I.B. chapters and study groups, many are in demand by government agencies, insurance and finance companies, colleges and universities—professors of banking, departments of home economics, schools of agriculture, libraries, etc.—financial libraries, American Economic Association members, and foreign consulates and embassies.

The demand for "Treasury War Financing and the Banks," prepared by the Economic Policy Commission, of which 22,000 copies have been distributed, is typical.

### Insurance and Protection



New York Financial Advertisers listening to Deputy Manager Baum in panel on "Public Relations Aspects of Air Raids"



Representative group of the publications compiled by various Association divisions during the year for use by members

### **Publications**

THE services of the American Bankers Association member banks were augmented through a variety of publications coming within different categories.

These include: the second volume of "Paton's Digest of Legal Opinions," now leaving the press—a compilation of legal opinions, laws and court rulings affecting banks, and "An Introduction to the Study of Banking," being prepared by the American Institute of Banking for chapter use this Fall to meet the increasing need for large-scale personnel training.

Also in this general classification may be found: The Bulletin of the American Institute of Banking, issued quarterly, and various other A.I.B. publications for use of chapter officers, faculty members, and students; The Trust Bulletin, Protective Bulletin, Banking's News Letter; and Banking—each of which is issued monthly, and the Washington Bulletin on Federal legislation. The Bank's Directors and The Impact of the War on Housing, two series of articles reprinted from Banking, and Helping Your Bank Sell U. S. War Savings Bonds (produced cooperatively with the Treasury Department) may also be mentioned.

During the year 850 news releases covering A.B.A. activities, including speech digests, were issued to the press; 15 radio and platform talks on the sale of War Bonds were made available to bankers; 284 newspaper advertisements in mat form, 52 posters, and about 15 folders and blotters for direct mail were designed for bank use.

# Agricultural Credit



A banker-farmer shirt-sleeve credit meeting at Wahoo, Nebraska—Messrs, Russell, Hohl, Houfek, Newsham, and Schmidt

# Freezing Foreign Funds



Treasury representatives and A.B.A. Deputy Manager French, extreme right, at Denver meeting on control of foreign funds

### JULY 1942

# BANKING

# BANKS IN THE WAR

"On the road ahead there lies hard work . . . "

-President Rooseveit

PUBLISHED IN TWO SECTIONS-SECTION 2

BANKING'S July second section tells the story of the "magnificent" job the banks are doing in the all-out war effort

# Membership Clinic



Membership clinic in Little Rock, Arkansas, attended by State Vice-president Pyeatt and Assistant Secretary Dunkerley

### Trust Education



Committee on Trust Education working on revision of A.I.B. trust textbooks. Chairman, J. W. Allison, center, presiding

### A.I.B. Chapter Meeting



New York Bankers Association Secretary Marshall and A.I.B. Educational Director Irwin at Schenectady Chapter dinner

# A.B.A. Membership

SSOCIATION membership was increased during the year by 607 members as of August 1, nine states having achieved 100 per cent. This represents a substantial gain over the previous year's enrolment of new members. Total A.B.A. membership on August 1 was 14.436.

# Conferences on Every Phase of Banking

OXTENSION of aid to the Government and serving the C best interests of beneficiaries under war conditions were the central themes of two regional conferences arranged by the Trust Division. The first of these was held in St. Louis, November 6-7, and the second in New York City, February 3-5.

More than 400 smaller group meetings, sponsored by state associations, American Institute of Banking chapters, other finance and banking groups, civic clubs, etc., most of which had a wartime aspect, were attended by A.B.A. executives in various sections of the country.

These meetings covered such subjects as trust research, customer and personnel relations, insurance and protection, food-for-freedom, consumer credit, Federal and state legislation, sale of War Savings Bonds, real estate mortgage finance, educational opportunities offered by the A.I.B., savings problems, A.B.A. membership, wages and hours, and many important addresses throughout the country by the economist of the Association-Dr. Paul E. Cadman.

In addition, staff members cooperated with government agencies in innumerable conferences on taxation, and other legislation affecting banking, sale of War Bonds, freezing and control of foreign funds, priorities, war production loans, consumer credit, war damage insurance, wartime housing, and other financial matters.

This, of course, does not take into account a number of informal meetings of various A.B.A. committees.

# Food-for-Freedom Luncheon



Vice-president Hemingway, Deputy Manager Brown and Arkansas Bankers Agriculture Chairman Hunt in Hot Springs

# Education in Banking

JIFTY-TWO years ago the American Bankers Association appointed a committee to encourage bankers and business men to help higher educational institutions to establish schools of commerce and finance. At that time there was in existence only one school of this character—the Wharton School of Finance of the University of Pennsylvania. The committee sent a representative abroad to study what was being done in European countries, and its report revealed that the United States was far behind many European countries in offering advanced education in banking and business.

In carrying out its work, the committee of the Association was helpful in the organization throughout the country of a number of schools similar to the Wharton School. Professor Edmund J. James of the Wharton School of Finance, who later became president of the University of Illinois, in writing of this development, said "The American Bankers Association has led the way in one of the most important educational departures of this century. . . ."

About 1898 or 1900, at a time when the universities were feeling that the education of adults was a hopeless task, a few ambitious bank clerks in various cities organized themselves into classes to study banking.

At its annual convention in Richmond in 1900, the A.B.A. set aside a sum of money to help organize these educational classes into a national program. This was the beginning of the American Institute of Banking, and, later, The Graduate School of Banking.

The A.I.B.'s membership this year is 66,868 and class enrolment, 40,832. Certificate awards: Standard, 844; Preslandard, 1,493; and Graduate, 166. Total certificates outstanding: Standard, 29,300; Pre-standard, 39,529; and Graduate, 586.

Attendance at the eighth resident session of the Graduate School last June was 572, with 174 graduating, bringing the G.S.B. alumni body to 1,005.

The Foundation for Education in Economics was created in 1925 to commemorate the A.B.A.'s 50th anniversary. Deserving senior and graduate students benefit from the scholarship awards made by the Foundation for study in economics. This year 41 new student grants were made, bringing the total to 773.

### At the Graduate School



Instructor O. Howard Wolfe's class in Commercial Banking at the 1942 resident session of the Graduate School at Rutgers



G.S.B. men at ease between classes, discussing mutual problems and getting individual advice from instructors

# The A.I.B. Convention in New Orleans



National officers of the American Institute of Banking at the New Orleans educational and business conference



Delegates from every section of the country attended this meeting. Here they are in the line-up in the hotel lobby

# Federal Legislation



Major Keesling, of the Selective Service, with Federal Legislation Chairman Wiggins and General Counsel Needham, standing

# Paton's Digest

ONTENTS of Volume II of Paton's Digest of Legal Opinions include: collections; corporate stock; crimes; deeds, deposits, drafts; forged paper; government securities; guaranty and suretyship; holders in due course; indorser; insurance; interest; legal proceedings; legal tender; letters of credit; libel; and liens.



Volume 11 of Paton's Digest of Legal Opinions is now available. Volume 111 will be completed in about a year

# State Legislation Review

Jue bankers of America have been quick to gear their thoughts and actions to the demands of a full war economy. Evidence of the truth of this statement can be had by looking at the recent activities of the American Bankers Association Committee on State Legislation.

The big job facing bankers has been to finance the war effort. There are many phases of this problem but the two most prominent are to finance the Government's expenditures and to finance industry in the production of the tools of war. On both of these bankers have been of inestimable assistance and the Committee on State Legislation has been active planning the means by which such assistance can be given.

They have offered the legislative solutions for the problems having to do with authority under state laws to act as issuing agents for the sale of War Savings Bonds; the transacting of business on bank holidays; authority to adjust bank reserves to the needs of the time; new lending devices.

### Preview

JHIS, of course, is merely a beginning. There can be no flagging of activity until this war is won. In its plans for the immediate future, the first item on the Committee's agenda is to prepare and send to all state committees a summary of wartime legislation of interest to banks, enacted by state legislatures meeting in 1942. This, it is expected, will have the value of suggesting to other states legislation which may be helpful in meeting similar situations.

Moreover, the members of the Committee will continue their efforts to provide new lending facilities for industry. To this end they will urge state associations to press for the enactment of the Uniform Trust Receipts Act. Where legislation is needed for the protection of loans secured by the assignment of accounts receivable, they will ask that such protection be sought.

Having in mind that the expenses of banks are on an interminable upward climb, the Committee will seek to have eliminated from the statutes unnecessary and expensive requirements. An illustration is the suggestion that the number of required examinations might be limited to one a year. Another proposal which would obviate to a large degree the necessity for banks to increase their personnel so as to be able to handle peak loads is that of delayed posting. It may be necessary to amend existing statutes to permit this and if the Committee finds this to be so it will draft such a recommendation.

The endeavors of the public and its officials to stem inflation will be assisted by the efforts of the committee to provide the means to keep bank reserves within control. They will suggest that state legislatures be asked to give state bank supervisory authorities the power to make necessary adjustments in bank reserves.

These are the recommendations of the A.B.A. committee to the state association committees. The state committeemen are on the firing line and any results achieved are due to their efforts.

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# Cost of Living Control - Continued

CADMAN: There is a substantial movement to reduce the personal exemptions so as to bring into the tax bracket a large number of people who have never paid a personal income tax before.



". . . the well-to-do and

ATKINS: The point is that there is an entirely different position between the person who is in the \$5,000 category and the man who has had his income tripled, if you will. It isn't my increased spending that is going to bring inflation, it is my decreased spending that is going to help avoid it. The well-to-do are going to spend less. Mass purchasing power will hardly be touched.



". . . postwar hope . . ."

Jones: Perhaps after the war, we can get back up into the middle class.

CADMAN: Inflation for you and me means a rise in the cost of living. It is a situation in which there are two factors: a very great increase in the amount of money available to be spent in the country; and a substantial reduction in the supply of goods to be bought. The government is trying to deal with the goods side of the inflationary picture by regulating prices, by fixing ceilings which are upper limits and still leave some flexibility, and by subsidizing producers where those ceilings do not cover the cost of production. We have seen the difficulties of policing such a system. We know how hard it is to prevent bootleggers and "black market" operators from breaking the price structures.

The other attempt to check inflation is to control the volume of excess purchasing power. In other words, to take away from the buying public the money which they cannot or should not spend at this time for goods. This is being done by taxation and by stimulating savings to a very great extent. The difficulties on both sides are great. The forces of supply and demand, the actions of individuals, their desires, and their impulses, are all far greater than the forces of regulation and control. On the money side we have not yet had the courage to tax as we should. We have not yet stimulated the saving that is necessary.

There is a growing belief that if Congress plays fast and loose politically with the tax program, inflation itself will actually lay the tax levy and we will all feel it. Unfortunately it will rest most heavily upon those who are least able to support it.

When the Government taxes you and me it does not create any new money. It takes something already existing. When it borrows out of our current income, it does not create any new money; it takes something that we already have. But when it borrows from the bank, it does something entirely different. When the bank buys a government bond it does not pay with money. It opens a deposit in favor of the Government, and the Government spends that deposit to pay its soldiers, its sailors, and its contractors. The bank creates new money, and that new money is called deposit money. Deposit money is the real inflationary threat.

It is the same *kind* of threat as printing money. It does not operate in the same way because borrowing money is a safer device than printing money, but it is the same *kind* of threat. The interests of the country are going to be furthered and protected if we have as little of that bank borrowing as possible—and the way to have as little of it as possible is to tax courageously and to save heroically.

Don't forget that Congress usually does what it thinks the American people want done. Our willingness to do and to sacrifice are the long-run controlling factors in politics. The inflationary threat is real; it touches the personal interests of every citizen. It calls for courageous taxation, for heroic lending and for the all-out acceptance of controls. And it calls for all this now. Anything less means disaster.

". . . the inflationary threat is real . . ."



# A Group of Association Leaders

American Bankers Association officers and department chairmen and presidents not appearing elsewhere in this issue are shown on these pages.





Below, across the page

Robert M. Hanes, chairman, Ad-

visory Committee on Special Activ-

ities, and president, Wachovia Bank & Trust Company, Winston-Salem, North Carolina

George W. Heiser, chairman, Mem-

bership Committee, and vice-president, Manufacturers Trust Company,

New York City

Fred I. Kent, chairman, Commerce

and Marine Commission, and director,

Bankers Trust Company, New York

City

Above, across the page

W. C. Bowman, president, National Bank Division, and president, First National Bank, Montgomery, Alabama

Stuart C. Frazier, president, Savings Division, and executive vice-president, Washington Mutual Savings Bank, Seattle

William B. Gladney, chairman, Insurance and Protective Committee, and executive vice-president, Fidelity Bank and Trust Company, Baton Rouge, Louisiana



William F. Augustine, A.B.A. treasurer vice-president, National Shawmut Bank, Boston, Massachusetts





The achierements of the American Band, etc. Association are not the work of a single individual or committee. They are the combined product of many faithful and diligent persons in every section of the country who are devoted to the development of sound banking. The war emergency has added to the Association's responsibilities and the A.B.A. officers and division chairmen provide the leadership necessary to carry on this enlarged war financing program.







Above, across the page

Francis Marion Law, chairman, Foundation Trustees' Committee, and president, First National Bank, Houston, Texas



Charles H. Mylander, chairman, Subcommittee on Taxation, and vice-president, Huntington National Bank, Columbus, Ohio

\*

James H. Penick, president, State Bank Division, and president, W. B. Worthen Company, Little Rock, Arkansas



CANAL STOLLS

Otis A. Thompson, chairman, Agricultural Commission, and president, National Bank & Trust Company, Norwich, New York

Below, across the page

Frank M. Totton, chairman, Committee on Public Education, and second vice-president, The Chase National Bank, New York



Lewis E. Pierson, chairman, Board of Regents, The Graduate School of Banking, New York City



J. Harvie Wilkinson, Jr., chairman, National Defense Loans Committee, and vice-president, State-Planters Bank and Trust Co., Richmond





BLANK & STOLLER



# THE ORIGIN OF THE AMERICAN BANKERS ASSOCIATION

Deputy Manager and Secretary of the Membership Committee, American Bankers Association

-W. ESPEY ALBIG

N St. Louis on an evening early in January 1875, Edward Cruft Breck, cashier of the Exchange Bank at 217 North Third Street, left his office to join his friend, James T. Howenstein, cashier of the Valley National Bank at 320 North Third Street. Besides being neighbors in business, they were associated on clearinghouse committees.

Frequently they walked part of the way home together. This evening as they passed the Mercantile Library Hall, a sign calling attention to a "Woman's Suffrage Mass Meeting" cried down at them. The meeting, a large one, was being held to further an amendment to the Constitution of the United States, granting suffrage to women.

"Ed," said Howenstein, "if the women can get together, talk over their sorrows and troubles and then get recognition, why can't bankers get together and through organization and cooperation accomplish what we desire right now—overcoming the panic and the resumption of specie payment?"

Suggestion for a national organization of bankers had followed a meeting of national bank officers in New York in 1865. National trade associations, now numbering more than 2,300, were then almost unknown. Only 14 were organized before 1875, and only three prior to the war between the states.

The need for a bankers' organization on a national scale was strongly evident. The national banking system was getting soundly established. The issue of currency by state banks had been taxed out of existence. Greenbacks were in competition with national bank currency. Usury laws were unpopular with bankers. Free banking was a common slogan. Taxation was severe. Resumption of specie payments loomed, to become effective January 1, 1879. Black Friday was still within memory. In 1874 in the United States 50 banks, with capital of more than three and a half million dollars and deposits of almost \$15,000,000 had failed, which was 49 per cent more than in the panic year of 1873.

The words of Breck's reply to Howenstein's inquiry are lost to history, but he agreed that a vigorous effort at organization should be made. With Howenstein, the organizer and manager, to think was to act. He was still a young man. He had brought into being the St. Louis Clearing House Association in 1868 and served as its manager until 1871, when he organized the Valley Na-



Charles B. Hall of Massachusetts—the first president of the American Bankers Association

tional Bank and became its cashier. Once during his term as manager he tendered his resignation because of criticism of his forthright acts, but the resignation was tabled.

Breck's institution, the Exchange Bank, was about 18 years old, having been organized in the dark days of 1857 with a capital of \$500,000. It was one of the few banks which did not reorganize under the National Banking Act. The Exchange Bank and its New York correspondent, the Chemical Bank, stood almost alone in never having suspended specie payment in their circulation.

To further their idea for a national association of banks, Breck and Howenstein actively corresponded with bankers all over the country. At first the thought was to have an association of bank cashiers. Suggestions were invited. The promoters expressed the belief that bankers could benefit "by meeting together, making each other's acquaintance, and talking over matters of



The Bankers' Pavilion at the Centennial Exhibition in Philadelphia

CULVER SER

concern to all bank officers. to make their official duties more easy in the future, and to leave a 'green spot' in the pathway of the past that it will be a pleasure to look upon." There was no intention of "dictating reforms, or of changing any laws, or of making innovations on existing rules for the government of banks or their business."

The Commercial and Financial Chronicle urged that the "meeting should not be confined to bank cashiers or to any single order of bank officers, but should include bank presidents, bank directors and perhaps the legal officers of banks also."

The invitations to a "national convention of bank cashiers and bankers" to be held at Saratoga, New York, "on the 29th day of July next" went out in April 1875, signed by the cashiers of 41 banks and by two banking companies in 29 cities. They were addressed to all the banks in the country, comprising 3,330 national, state, and private banks, with capital totaling almost \$600,000,000,000; surplus and undivided profits, \$255,000,000; and deposits, slightly more than \$2,000,000,000.

April 1875

To the Bank Officers and Bankers of the United States: Dear Sir:

You are respectfully invited to attend a National Convention of Bank Cashiers and Bankers, to be held on the 20th day of July next, at Saratoga, New York.

The desire and necessity for a meeting such as is now proposed has long been fully realized, and its importance duly appreciated by all who have an official connection with banks. The advantages and pleasure, individually, that will be derived from personal intercourse with those who are in daily correspondence, are alone sufficient inducement for such a meeting; and, besides better acquaintance and pleasure, we believe that great profit will result from interchange and comparison of ideas and experiences relating to the conduct of our business. We cannot but think, furthermore, that our general interests will be promoted by a National Congress of experienced bank officers and financiers, in which, doubtless, questions of National interest and importance, as they relate to us, will be fully and freely discussed. These objects combined must, we believe, command universal respect and attention, and exert a powerful influence for good. From the hearty approval of the meeting and its objects received through responses to correspondence with cashiers and bankers in the principal cities and towns of the country, we have every reason to expect a very large attendance.

It will give us pleasure to have you signify, to one of the undersigned, your intention to be present at the Convention; and also any counsel or suggestions you may be pleased to give respecting the meeting, the order of business, subjects for discussion and action, &c., &c.

The favorable response to the invitation led the optimistic sponsors to expect an attendance of a thousand or more bankers. The Committee of Arrangements, which numbered 17 bank cashiers, seven of whom were from New York City, met on May 24 at Barnum's Hotel (later known as the Harvard Hotel) at 434 Broadway, just north of Canal Street, New York. The 17 committeemen represented banks with capital of \$23,000,000, surplus of \$5,500,000, and deposits of \$52,000,000.

A subcommittee, with George F. Baker as chairman, was appointed to consider the suggestion of Mr. Howenstein "that a convention of bankers be held." The report, made on the evening of May 24, recommended

that:

"(1) A convention be held at Saratoga Springs, July 20, 1875; (2) an association of bankers be organized; (3) every bank in the United States be invited to participate; (4) the convention shall elect officers and a vice-president for each state."

This report came as the result of the favorable sentiment aroused by the invitations sent to bankers in April. Committees were appointed to carry out all necessary details, and one month later the arrangements committee sent this invitation to every bank in the United States:

New York, June 21, 1875

To the Bank Officers and Bankers of the United States:

A meeting of the Committee of Arrangements for the Convention of Bank Officers and Bankers, to be held at Saratoga, on the 20th of July, was held in this city on the 24th ultimo, at which committees for perfecting the necessary arrangements were appointed.

It was the decided sense of the Committee that all questions of a political or sectional significance should be carefully avoided in the Convention, and that the meeting should be for business and social purposes only, the object being to bring bank officers and bankers into closer relations, with a view to the advancement and protection of mutual interests. The Committee respectfully recommends that every bank send a representative, and it is hoped that out of this meeting, and such others as will naturally follow, will grow results of a business and social character of importance to all.

A large attendance is expected, and the work necessarily entailed upon the Committee of Reception will be onerous. To relieve them, as far as possible, those who propose to attend will please notify J. S. Leake, Cashier, or S. H. Richards, Cashier, Saratoga Springs, N. Y., before July 10th.

It is also requested that all delegates, on arriving at Saratoga, will register either at the First National Bank or Commercial National Bank, where appropriate badges will be furnished.

The "original call" is hereto appended, as it is possible that it may have failed to have reached some of the banks. It is, therefore, reproduced without the names of the signers.

You are urgently invited to attend this National Congress of Bankers, and your cordial cooperation and aid in the preliminary arrangements, solicited, and correspondence and suggestions invited, which may be addressed to either the Chairman or Secretary of this Committee.

Very truly yours,
A. P. Palmer, Chairman of the Committee
(Cashier, Albany City National Bank, Albany, N. Y.)
J. D. Scully, Secretary
(Cashier, First National Bank, Pittsburgh, Pa.)

Meanwhile, another force was coming into operation which exerted a profound influence on the formation of a bankers association—the organizing of the Centennial Exhibition at Philadelphia.

To stimulate interest in special days and special

events, Colonel J. E. Peyton, then about 60 years of age, of Haddonfield, New Jersey, visited many areas of the country. On April 28, 1875, he appeared before the St. Louis Clearing House Association, representing the associated banks of Philadelphia, with an invitation for the St. Louis banks "to join in a preliminary meeting of banks and bankers in Philadelphia to form an association for the purpose of making a proper representation of the banking and moneyed interests of the country at the Centennial Exhibition." The invitation was accepted, and seven delegates were appointed for the preliminary meeting on June 24, 1875.

On May 3, 1875, Colonel Peyton, in a visit to the Cincinnati Clearing House Association, requested the appointment of a committee to represent Cincinnati in the "Department of Coins and Currency at the Centennial Exhibition." A committee of seven was appointed. Four days later Colonel Peyton sought the cooperation of the Pittsburgh Clearing House Association with the Associated Banks of Philadelphia in organizing the "numismatic and bank note department" of the Centennial. A committee of seven was appointed, and the chairman of the committee, John Harper, president of the clearinghouse association, was directed to write the president of the Girard Trust Company, Philadelphia, who was president of the Centennial Exhibition Bankers' Committee, to find out what they were to do.

COLONEL Peyton appeared before a bankers' committee of New York at the Merchants National Bank on May 26. He proposed the organization of a bankers' department "to exhibit specimens of the coins and paper money that have been in use in the United States from its settlement to the present time." "Most of the important cities," said the colonel, "have appointed committees for that purpose." This report was brought to the attention of the clearinghouse at its meeting on June 14. Thirty-six banks were represented.

Bank officers of Philadelphia invited a committee from the New York banks to visit Philadelphia for the purpose of organizing an association to represent banking interests at the centennial anniversary in 1876. The invitation was accepted and a committee of 25 was appointed. It was stated that a committee of bank officers from Boston would join the New York committee

on its way to Philadelphia on June 24.

June 24 was a day of enthusiastic meeting in the City of Brotherly Love. Three hundred thirty-three bank officials or representatives were present from various sections of the country. The Philadelphia *Public Ledger* of June 25 stated that "a large delegation from Boston and beyond was also expected, and actually started from Boston by the Fall River Steamboat Line, but having been detained by a fog in Long Island Sound, did not reach New York in time yesterday morning to connect with the special train which brought the New York delegation."

The dinner address of George H. Stuart at Philadelphia bears resemblance to an address at a modern bankers' convention. "I am here," he said, "to address the largest amount of capital that has ever been assembled together on the continent of America . . ."







September 1942

At that time was formed the "Banks and Bankers Association on Coins and Currency of the United States Centennial Exhibition of 1876." The real purpose of the meeting, however, was to organize for financing the Exhibition, which was to cost about \$8,500,000. Represented on this notable occasion was six banks whose cashiers had signed the invitation for the initial meeting of the American Bankers Association.

So impressed were the bankers as to the prospective value of the Centennial Exhibition to banking that a bankers' building was proposed. The funds for it were raised by a committee under the chairmanship of B. B. Sherman, president, Mechanics National Bank, New York City. The Bankers Building opened on Memorial Day, 1876. About 500 bankers from "Philadelphia, New York, and points South and East" were present and "about 1,600 bankers' clerks of New York visited the Exhibition" that day.

It may be assumed that the supplementary invitation to the Saratoga meeting, dated June 21, 1875, and sent out by the committee of arrangements from New York, was formulated by the chairman and secretary of the committee while the secretary was in the East in connection with the Centennial meeting.

The three-day meeting of the bankers in the Town Hall, Saratoga, on July 20, 21, and 22, 1875, which is now history, brought about 350 delegates from 32 states and territories. "They appeared promptly at the hour designated, wearing badges . . ."

The members of the Committee on Permanent Organization, which later became the Executive Council, were representatives of banks which had joined in the original invitation. The committee, appointed by the temporary chairman, Charles E. Upton, cashier of the City Bank, Rochester, New York, who was one of the original committee, selected: for president, Charles B. Hall of Boston; for secretary, James T. Howenstein of St. Louis; for treasurer, Arthur W. Sherman of New York. Both Howenstein and Sherman had been members of the original committee of arrangements.

On the various committees were numerous bankers whose institutions were listed on the original invitation. James Buell, president, Importers & Traders National Bank, New York City, the largest institution represented on the committee of arrangements, having deposits of about \$16,000,000, was appointed chairman of the committee on resolutions. On July 21, in addressing the bankers by unanimous request, he stated: "To the valley of the Mississippi belongs the credit of originating this meeting," referring to the work of Messrs. Breck and Howenstein of St. Louis.

When on October 3, 4, and 5, 1876, the bankers' meeting was held in Philadelphia, an adjournment of that held in Saratoga the previous year, a permanent form of organization was adopted. Predominating in that procedure were the representatives of the 43 banks which had issued the invitations in April 1875 for the first convention at Saratoga.

A scene during the 1878 annual convention of the A.B.A. in the Town Hall, Saratoga Springs, New York



CULVER SERVICE

## WAR TEMPO OF STATE ASSOCIATIONS

The problems arising out of the war confront all banks and they must be met by group thought and action, using the machinery that now exists. That machinery is the state bankers associations and the American Bankers Association. Henry B. Koeneke

Secretary, Minnesota Bankers Association, and president, State Secretaries Section of the American Bankers Association, Minneapolis

-WILLIAM DUNCAN, JR.



Officers of the various state bankers associations have geared their association machinery to speed up their various programs, and assist their member banks to becoming more efficient in carrying the extra burden of the war program.

Some of the associations are placing greater stress on public relations in order to acquaint the layman with the fact that the banker's responsibility, and burden of work is greater than ever before, and that the job is being done without extra compensation—regardless of the handicap caused by many staff men and employees being taken from their institutions by the war.

In the agricultural districts, the agricultural committees are assisting their farmer customers in the financing of their agricultural programs, and, in many instances, doing great service by employing experienced agricultural men to do field work in the promotion of better farm management. Many of the association officers are on War Bond committees in their respective states, which deprives the associations of their assistance in regular association activities. With this added responsibility, the office of a state association has become more active than ever before, but is bringing about a realization on the part of bankers, generally, of the important

part that state associations play in the proper functioning of our banking system in times of need.

The tremendous amount of extra work, and the added responsibility that the various associations are experiencing, has created a consciousness of the necessity of cooperation between the various state associations and the American Bankers Association. This is very clearly indicated by the results obtained in the Foodfor-Freedom program, and the suggestions that have come to the associations by the American Bankers Association's Public Relations Council.

One of the outstanding jobs of the state associations has been in the cooperation that is given to the War Savings Bond staffs of the various states in getting the banks to qualify as issuing agents for War Bonds. In many states the banks have qualified 100 per cent.

The association officers have also been very helpful to the various state War Bond organizations by assisting in seeing that the War Bond quotas are subscribed for in the various communities within their state.

It is extremely difficult to point to any particular activity during the past six months as outstanding, for the reason that the Food-for-Freedom program, the public relations program, and the War Bond program, are all being stressed with equal enthusiasm.

The results of state association activities, and the success that the officers have experienced, creates a perfect mesh of the gears of association machinery, in its effort to assist in bringing this war to a successful conclusion, and that our system of free enterprise, and a sound economic structure, be maintained.



Fred M. Bowman, secretary, Kansas Bankers Association, Topeka, and first vice-president, State Secretaries Section

#### Other State Secretaries' Officers and Committee Chairmen



L. W. Hodges, executive manager, California Bankers Association, and vice-president, State Secretaries Section



G. D. Palmer, secretary, Alabama Bankers Association, and member, board of control, State Secretaries Section



G. H. Welch, secretary, Connecticut Bankers Association, and member, board of control, State Secretaries



Haynes McFadden, secretary, Georgia Bankers Association, and chairman, Insurance & Protection Committee



Harold J. Marshall, secretary, New York Bankers, and chairman, State Bankers Management Committee



Edward A. Wayne, secretary, North Carolina Bankers Association, and chairman, State Legislation Committee

### After Hours

MERICAN BANKERS ASSOCIATION past-president P. D. Houston addresses the following letter to reader-delegates:

". . . I am sure those of us who have been accustomed to attending the annual conventions of the American Bankers Association will miss the many friendly contacts which the gathering makes possible. I know I will miss many of my dear friends, and aside from the social contacts, I feel the cancellation of the annual convention will be a loss to the banking business as there is no better way for one to develop an idea or thought than by expressing his views to others and thereby developing the thought or subject by the exchange of ideas.

"At this time, banks are more service institutions than ever before and the trend towards the socializing of banking is so noticeable that it behooves all bankers to render the very best service they can to their customers in order that private chartered banking may continue to exist. Most of our time is devoted to war loans and rendering assistance to our Government in its war program, all of which every patriotic citizen should be very glad to do.

"I want each of my friends to feel this is a personal note to him, and it is my wish and prayer that we all may be spared until we meet again in annual convention."

A NOTE of greetings and affectionate

Before you leave, take a few moments to renew some old acquaintanceships. On these last pages you'll find news items about many of the people you would have seen at the convention.

reader delegates-at-large comes from A.B.A. past-president R. M. HANES, president, Wachovia Bank and Trust Company, Winston-Salem, North Carolina. Bob has been busy with war chest drives, bond campaigns, and drives to stimulate war production loans. Not to mention-as pictured-drives for payroll deduction enrolment for Uncle Sam.

COUNCIL member CHARLES R. REAR-DON, vice-president, First National Bank in Joliet, Illinois, keeps the ball rolling for Victory in his section of the Middle West. With war plants going in full swing in and near this industrial city, Mr. REARDON still spares time to head the county War Bond Committee and the U.S. Treasury Victory Fund Committee for the 11th Congressional District, comprising Will, Kane and McHenry counties.

Louis S. Headley, vice-president, First Trust Company, St. Paul, and vice-president of the A.B.A. Trust Division, says he is not doing anything good wishes to fellow councilmen and spectacular in the war effort aside from

assisting the Red Cross and promoting bond sales at every opportunity. However, he sheds a bit of light on home life as we all enjoy it. Mr. HEADLEY is, after hours, a country squire of the more modern type. He recently gave away his daughter as a June bride, and watched his son turn Benedict.

COUNCIL member C. B. ENLOW, president, National City Bank, Evansville, Indiana, adds these important posts to his agenda of wartime activities: He is a member of the Victory Fund Committee, Eighth Federal Reserve District, representing Indiana; a member of the Indiana War Bond and Stamp Sale Committee representing the banking fraternity; a director of the Vanderburgh County Indiana Civilian Defense Council; and a member of the Executive Committee, Indiana State Chamber of Commerce.

THE snapshot, below, shows PHILIP A. Benson, president, Dime Savings Bank of Brooklyn and former president of the A.B.A., hard at work as chairman of Appeal Board No. 10, to which he was appointed by President Roosevelt in November 1940 under the Selective Service Act. This board considers appeals from 18 draft boards, and is now averaging about 100 appeals a

Mr. Benson is also co-chairman of the Office of Civilian Defense in Brooklyn. And recently he accepted the chairmanship of a sub-committee on Revenues Other Than From Real Estate Taxation of the Mayor's committee to study city finances.

Bob Hanes tells his staff about War Bonds



September 1942

Mr. Benson (at the head of the table) and his draft board





M. L. Funderburk, president, Citizens Bank & Trust Company, Houma, La., (left) and General Manager Taulbee of the Houma Boat and Construction Co., with a 36-foot boat built for the Army. The Citizens bank financed construction of the company's plant

back to December 1940 as a member of the committee serving with the chairman of the Fourth Federal Reserve District, appointed by the A.B.A. on National Defense (now War) Loans.



WILL DUNCAN, JR., A.B.A. State and Seventh Regions, and in an active Secretaries Section chairman, and sec- liaison status with other services. retary of the Minnesota Bankers Association, works overtime in his own bailiwick on the war program, having just succeeded in qualifying all member banks as issuing agents for Series "E" bonds. WILL is also chairman of the executive committee of the State War Bond Committee and works closely with the state administrator and his staff.

COUNCILMAN (now Commander) F. M. McWhirter has taken leave "for the duration" of his post as president of The Peoples State Bank, Indianapolis, to serve on the staff of the Commandant, Ninth Naval District, as District

H. E. Cook, councilman and president of the Second National Bank, Bucyrus, Ohio, is active on the staff of the local OCD. He has been making a talking-tour of nearby communities in behalf of War Bond sales and says he has composed a sure-fire speech, which he titles "Civilian Morale." Audience reaction to the tune of bond buying certainly attests its effectiveness.

the bank which he heads in Mont-

gomery, Alabama. President BOWMAN

reports that these variety programs

held twice weekly and broadcast for 30

minutes over both local stations have created quite a bit of interest, and no

small volume of bond sales.



EXECUTIVE Councilman R. G. HAN-NAHS, president of the Watertown (New York) National Bank, is chairman of the Advisory Committee of the Second Corps Area, which passes on applicants for Army commissions. This section of New York is alive with war activity. Mr. HANNAHS' bank has served the nearby Army post at Madison Barracks for a good many years, and more recently Pine Camp, the present headquarters of the Fourth Armored Division.



COUNCILMAN JAMES D. ST. JOHN,

His work since then has been in contact with some 200 banks in the Toledo area. Reporting on this activity, Mr. St. TOHN mentions that some discussion relative to the war effort arises in practically every bank contact, and he has assisted in organizing meetings at which the subjects of War Bonds, blocking of accounts, Regulations W and V, and the Food-for-Freedom program were discussed.



BENJAMIN N. PHILLIPS, a member of the official family and president of the First National Bank, Port Angeles, Washington, directs a corps of observers in the Aircraft Warning Service. Being much closer to Nippon than any other part of the United States, this job is an important one in the West Coast defense setup. It is Mr. PHILLIPS' task to recruit new volunteers and direct their activities at hidden posts on the beaches and in the mountains of this area.



A.B.A. past presidents ROBERT M. HAINES, president, Wachovia Bank & Trust Company, Winston-Salem, North Carolina, and Tom K. SMITH, president, The Boatmen's National Bank, St. Louis, have been appointed advisers to the finance section of the Navy's office of procurement and material. The Navy announced that both men would be "subject to call for special consulta-



Security Officer. This District covers 13 states, and has under its jurisdiction over 80 established naval activities. In addition, MAC serves as Navy member vice-president, Toledo (Ohio) Trust on the OCD boards of the Fifth, Sixth Company, dates his wartime activities

tion." Their experience with "small as well as large banks throughout the country" is expected to be of considerable assistance in solving the financial problems of Navy contractors.

FRANK I. RYAN, vice-president, National Bank of Commerce and Trust Company, Providence, Rhode Island, now divides his time among the draft board, State Rationing Administration Board, Treasury Victory Fund Committee, State Council on Defense, Budget Committee, and the War Relief Appeals Review Board. Officially Mr. RYAN is also vice-chairman of the Transportation Committee of Providence. That, in a word, is a man's-sized

GEORGE AVERY WHITE, councilman for Massachusetts and president of the Worcester County Trust Company, is an ex-naval officer who appreciates the full meaning of the coveted Navy "E" awardand its power to improve workers' morale. That's why part of his war effort activity is concentrated on rendering every possible assistance to local firms engaged in maritime and naval war production contracts.

Mr. AVERY says that by the time you read this little squib he will have bid adieu to the banking fraternity to assume the presidency of the State Mutual Life Assurance Company.

JAMES H. PENICK, president of W. B. Worthen, Bankers, Little Rock, Arkansas, and president of the State Bank Division of the A.B.A., is another member of the official family who finds himself well occupied with war work. In the photograph, below, he is taking the



oath of office as a member of the Enemy Alien Hearing Board for Arkansas. He is being sworn in by U. S. Marshall Virgil C. Pittie.

Mr. PENICK, Army captain in World War I, is also a member of the Victory Fund committee, Eighth Federal Reserve District; a member of the A.B.A. National War Loans Committee: and is chairman of a group appointed by the Arkansas Bankers Association to cooperate with War Production Board offices throughout the state.

W. A. McDonnell, executive vicepresident, The Commercial National Bank, Little Rock, Arkansas, and member of the A.B.A. official family, lists his extra-curricular activities as chairman of the Victory Fund Committee for Arkansas, president of the Little Rock Chamber of Commerce, a member of the County Defense Council, and chief letter-writer of the Bank Management Commission.



He says his Chamber of Commerce-Defense Council combination makes him a kind of ex-officio air raid warden, airplane spotter, auxiliary policeman, urban transportation technician, hero welcomer, war charities money-raiser, anti-inflation "o-rater," and an all round plain-clothes (cuffless trousered) factotum.

Although "Mac" looks a bit happy in the above snapshot, he tells us that he will regain a Cheshire grin the moment the Axis is scotched.

COUNCILMAN EUGENE C. DONOVAN received the plaudits of Empire State bankers for his valuable contribution to

Upon checking with GENE we find that he has still spared time for the board of the Cayuga War Fund Inc., and was also chairman of the Navy Relief Society for the past term. Now aside from directing the destinies of the Auburn Trust Company, Auburn, New York, and picking up his numerous trusteeships, directorates and committee memberships on local business and civic groups, GENE hasn't a care in the world.

TRUE STORY-with flour, not flowers. . . NANCY BAKER TOMPKINS, wellknown Pacific Coast advertising woman, on a recent trip to New York thought it would be nice to drop in and say hello to her good friend Dr. HAROLD STONIER of the American Bankers Association.

She looked up the address in the 'phone book and got on her way. The charming little muffin at the reception desk said there was no one there by the name of Stonier.

Miss Tompkins, with typical native daughter loyalty to a fellow Californian, said: "Why, you must not have been here very long. Dr. STONIER is head of the whole works here and, if you don't know who he is, you had better get another job."

At oven heat, the reception girl replied: "I have been here 12 years and we have never had a doctor or a STONIER as head of the American Bakers Association."

Moral: Watch the "n," please!

More briefs on the war activities of the official family: Heading the State Victory Fund Committee, H. NELSON McDougall, president, National Bank of Commerce, Portland, Maine, is now getting his organization tuned for a statewide drive . . . W. ELBRIDGE Brown, vice-president and trust officer, Clearfield (Pennsylvania) Trust Company, is serving as a member of the Victory Fund Committee of the Third Federal Reserve District covering an area of six counties . . . Joseph E. HEALY, Citizens National Bank, Hampton, Virginia, is helping the war effort as ration administrator for his community and the adjoining county . . . President R. R. Jackson, Anadarko (Oklahoma) Bank and Trust Company, heads the county War Bond committee and keeps his organization hitting its quota the war effort as '41 president of the regularly . . . WILLIAM W. SLOCUM, New York State Bankers Association. president, United Savings Bank of De-



This photograph of nine past presidents of the A.B.A. was taken at the 1938 Spring Meeting. First row, left to right, Oscar Wells, Walter W. Head, Lewis E. Pierson, Richard S. Hawes and Thomas R. Preston. Back row, left to right, Robert V. Fleming, Harry J. Haas.

Francis Marion Law and Tom K. Smith

troit, has geared the service of his institution—the only strictly savings bank in Michigan—to the wartime savings demands of America's industrial metropolis . . . H. A. BRYANT, president of the Parsons (Kansas) Commercial Bank, is a member of the State Victory Fund Committee. He has done considerable work organizing the banks of Group 3, K.B.A., of which he's chairman, for the sale of Series G bonds.

Below is a snapshot taken in the office of J. C. Nichols, executive vice-president, First National Bank and Trust Company, Lexington, Kentucky. Transaction (of course) War Bonds, and plenty of 'em. The gentleman on the left is D. D. Slade, treasurer of the International Baby Chick Association. Councilman Nichols is a member of the local War Savings Committee, head-

ing the group soliciting banks and trust companies, securities dealers, and building and loan associations. He is also an active worker on the Victory Fund Committee, and one of the incorporators of the recently organized War Chest of Lexington and Fayette counties.

HERE'S a letter from Councilman S. ALBERT PHILLIPS, vice-president of the First National Bank of Louisville, Kentucky, that typifies the sentiments expressed in many notes received from members of the official family:

". . . I would like to say personally that I am going to miss seeing my many friends who would be in attendance at the convention. I am doing what most every member of the Executive Council is doing—my bit in helping carry on allout war effort. On the first of the year

I accepted the appointment as State Administrator of the War Savings Staff, and I am devoting a great deal of time to this job every day. We have not only met our monthly quota but rolled up a substantial surplus. In July, Kentucky ranked fourth percentagewise, and naturally we are all mighty proud of this accomplishment.

"I hope soon that we will be victorious in this great conflict, and that we will be again able to assemble for our annual convention where we can really say hello to all the old friends. Until such time let us all carry on and do our utmost to bring about a speedy victory. Until then I say God Bless America."

EXECUTIVE COUNCILMAN CHARLES A. FISK, vice-president of The First National Bank, Amarillo, Texas (third from left in the picture below) is one of Uncle Sam's super War Bond salesmen. He is presenting \$50,000 in bonds to the executives of the local Producers Grain Corporation.





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BANKING





ber of the AAA Administrative Committee, caught in the act of selling \$10,000 Series G War Bonds-\$5,000 to A. B. Polinsky, whose picture appears above, and \$5,000 to his brother, Nat Polinsky, proprietors of the Minnesota Woolen Company.

NORTH CAROLINA'S member of the ident, Peoples Bank & Trust Company, Rocky Mount, reports a one-man Victory campaign: He is vice-chairman of the War Bond and Stamp drive for his

B. M. PEYTON, president of the Treasury Victory Committee, covering Minnesota National Bank, and a mem- the Fifth Federal Reserve District; and member of the Naval Officer Procurement Committee-a job which entails contacting and recommending young men for commissions in the Naval Reserve.

ED V. KRICK, vice-president and cashier, American Trust Company, San Francisco, and an official family repre-Executive Council, F. P. SPRUILL, pressentative on the West Coast, pleadsas do so many others-that his war effort is the plain, ordinary, garden variety of endeavoring to do his part in community and vicinity; member of the the promotion of War Bonds and Stamps. stomach.

"INVEST IN SECURITY" is the slogan of young Pierce King, 12, who is shown above receiving a \$25 War Bond from Councilman H. A. DAHLGREN, cashier, Killington National Bank, Rutland, Vermont. This scene, says HENRY, is a typical everyday occurrence and one that has helped build sales above the million dollar mark.

COUNCILMAN CHARLES A. RANDOLPH. president, Citizens Bank of Shelbyville, Kentucky, turns his war effort to the food question in an important agricultural section. Selling War Bonds is his job, too, but a nation as well as war chest drives, warden activities, and an Army, says he, moves on its

### WIN THE WAR!

r's TIME to adjourn but not to rest. The staff of BANKING has worked hard to "Be brief, be bright, begone" as the ancient motto says, because there's precious little time for reading today.

But oddly enough brevity takes time and this war convention had to be gathered together on short notice.

Once upon a time, so the story goes, there was a canny and powerful king who ruled a great and prosperous country. There came a time, however, when things were not going so well and there was

the thing for him to do was find out everything that was known about economics so that he could do something for his people. He called in all the experts in his kingdom and told them to get to work and prepare for him a complete and brief text on economics.

A short time passed and they all came back, assembled in the great hall and presented the king with 110 volumes of 500 pages each, all illustrated with charts and graphs.

The king did not like this very well and shot some of the experts and sent the rest out to bring in a complete and short text on economics. After another fairly brief period they came back, this time with about a dozen big volumes. great distress and hunger throughout. The king was very angry this time and

the land. The good king decided that shot a few more experts, sending the rest back to work. Years passed, then they returned and the Chief Expert. whose beard was very long by this time, reported that they had reduced the subject to these nine words, "There is no such thing as a free lunch."

> With this royal example in mind. therefore, the staff of BANKING made one final effort to reduce the meaning

and spirit of this convention in print to its smallest Victory denominator and earnestly they offer these three words-Win the War!

WILLIAM R. KUHNS, Editor.





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By expediting the country's major financial transactions through the exchange of checks...

By actively selling War Bonds without profit or pay for the costs incurred ...

By helping to finance the War through the purchase of Government Bonds for their own portfolios, as well as for estates entrusted to their care...

By encouraging the public to save for the emergencies of War... and for the problems of the Peace which must follow...

By donating the services of experienced personnel to act in capacities directly connected with the War effort...

The resources and services of this bank will continue to provide such assistance to America's allout War effort for Liberty...

"The last best hope of Earth"?



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